★ MARKET TEST AHEAD ★

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

ARCH 14, 1959 85 CENTS

REAL
EAT OF
IONALIZATION
ELECTRIC POWER
By McLellan Smith

★

IAT $40 BILLION
DEFENSE SPENDING
MEANS
erms of our economy — debt — taxes
isarmament — if peace comes
By Allen M. Smythe

★

A Fresh Look At
NSTRUCTION INDUSTRY
For 1959
By Frank L. Walters

★

'arying Earnings Trends
for FOOD PROCESSORS
d MERCHANDISERS
By J. C. Clifford

★

Vith the MOVIES Today
--It's Love at Second Sight
By Jonathan W. Dodge

★

t III . . .
What 1958
arnings Reports Reveal
nd Keys to Second Quarter Trends
By Harold B. Samuels

THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 103, No. 13 March 14, 1959

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover photo: The southern portion of the moon as a waxing crescent, from a photograph made with the Lick 36-inch refractor. Photograph by J. H. Moore and J. F. Chappell. Courtesy of Lick Observatory.

Maps-page 618, 636 and 637: Adapted from the New York Times.

Single copies on newsstands in U. S. and Canada, 85 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P.O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions. Pan-American, Canadian and Foreign Postage, $3.00 additional per year. Please send International Money Order or United States Currency.

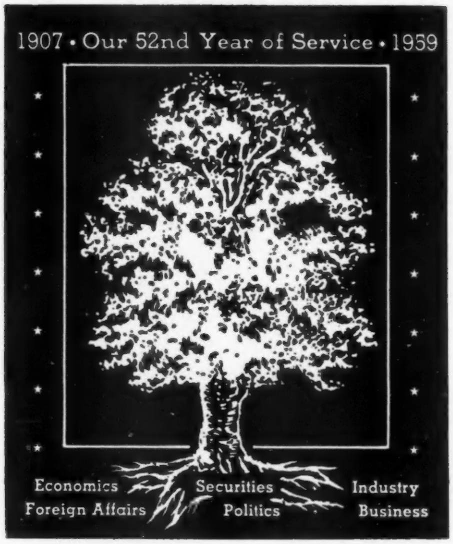
TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address —Tickerpub

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

OF COURSE WE CAN DO IT!... There never was any doubt in my mind that we possess the imagination — the genius — and the capacity to do anything that Russia can do.

Many were disturbed by the unbelievable failures in launching space vehicles, and rather widespread uneasiness expressed itself frequently in attributing last minute mishaps to sabotage of one kind or another.

The successful setting off of Pioneer IV into solar orbit came at the right psychological moment, setting at rest those who had doubts concerning American capacity in the field of rocketry, and deflating Mr. Khrushchev's boasts of Russian scientific supremacy, which has been his trump card in making demands on the West. The reassuring performance of Pioneer IV put Russia on notice that we had solved the problem of generating adequate thrust, which had handicapped previous launchings. And by the sound working performance of our instruments, contrasted with the silence of Mechta alias Lunik, we proved that we are way ahead of the Russians in the field of communications.

Altogether, this was a happy day. It shows that the United States is going to be able to "hold its place in the sun", and can talk back to the Russians any time it wants to.

This seems to be something that they greatly fear, because their press has been charging us with "spying in space". In fact, a Communist radio broadcast questioned our right to put a military satellite into orbit without getting permission from the countries over whose territories it passes. What about their own satellite?

But, after all is said and done, all that has been gained is a psychological victory. And now that we have achieved this purpose, which was felt to be necessary for our prestige among the peoples of the earth, I wish that something could be done about making space adventure a long range project. For in these days we can use the huge sums involved to better advantage toward solving problems here at home — for a badly needed program to control floods which have recently made so many homeless and devastated great areas — to remedy the water shortages, and find new ways and means for producing fresh water from salty seas at a cost within the reach of everyone. Then there is the need for building better schools — the solving of juvenile delinquency — and ridding our country of the growing gangsterism which is infiltrating every sector of our social and economic life.

After all, our survival will not depend upon our flights into space, but upon the character and strength of our people.

DID MR. MacMILLAN BACK DOWN? . . . That is what is

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

worrying the leaders of the Western world, particularly Konrad Adenauer and General Charles De Gaulle — and the American people, too, many of whom have for years had reservations because of the conflict between British interests and those of the United States.

The English prime minister arrived in Moscow under the best kind of auspices. Cyprus had been settled — Iran had rebuffed Russian demands — assuring and confirming the NATO accord of the Anti-Communist Pact embracing Britain, Iran, Turkey and Pakistan, which, as can readily be seen from the map herewith, blocks Russian expansion into the Middle East. In fact, being a bad loser, this may have accounted for Khrushchev's cavalier treatment of Mr. MacMillan.

Yet, despite all the above, the British prime minister seems not only to have come away without any solid achievements, but, to judge from the talk of "disengaging" British forces from West Berlin, one is led to believe that Nikita Khrushchev has won another victory. In fact, Konrad Adenauer and General Charles De Gaulle seem to be smelling a "deal", — yet it would seem that the blatant failures of British appeasement these past several decades would have taught them something.

While Mr. MacMillan may be adequate, he is not of big enough stature to cross swords and win with Nikita Khrushchev.

As a result, Khruschev has become the most powerful man in the world today, and his ambitions are boundless. Although a member of the UN (what is it good for anyway?), he ignores this body and seeks to make unilateral agreements. He treats national leaders like office boys, and tells them what he will, or will not do, and when it will suit his purpose to do it, whether we like it or not, setting arbitrary deadlines to be adjusted at his own whim. And he has risen to this great power because we have permitted him to do so by letting him set the pace and adjusting ourselves to his lead.

Although he has the advantage of being a dictator, his problems are legion. He dreads the West Germans because of their great industrial and executive abilities, which they have so amply demonstrated since World War II. He would like to use their brains to carry out his 7-year plan, just as he has capitalized on the skills of their scientists. He has just made a deal with Krupp for a gigantic chemical plant to be erected in Russia — and, according to his plan, the power East Germany would wield over West Germany, if he succeeds, would expedite fulfillment of his 7-year plan.

He is unquestionably a man of force and determination, with the flexibility that makes one expedient after another available to him. He must be confronted with the kind of ideas and firmness of purpose that will make for leadership of equal caliber.

NO "INFLATION" IN COMMODITY PRICES ... The slight increase in the January Consumer Price Index, lifting it close to its all-time high, appears to have stimulated considerable belief that inflation is taking hold in commodities.

Much of the sharp rise in prices of securities since a year ago has been predicated upon the expectation of eventual substantial inflation of the commodity price structure. Thus far, the only evidence of inflation has been in the stock market, and it probably is only natural for owners of securities to be looking elsewhere for confirmation of their inflationary beliefs.

The recent rise in the CPI, more commonly known as the cost-of-living index, occurred against a background of plentiful supplies of practically everything. It followed a "comforting" small decline in December from the all-time high of 123.9 (average 1947-49 equals 100) registered in both November and July.

No Seasonal Adjustment — The Bureau of Labor Statistics, in compiling its index of consumer prices, makes no allowance for seasonal factors. At this time of year, owing to seasonally restricted production, prices of meats and of fresh fruits and vegetables almost invariably rise.

Examination of the details of the January CPI readily reveals that seasonal price increases in meats and in fresh fruits and vegetables accounted for the entire rise in the index. The food component of the index rose from 118.7 in December to 119.0 in January; meats, poultry, and fish moved up from 113.0 to 113.8 while fruits and vegetables rose from 120.1 to 121.7 (all on the 1947-49 base).

Meanwhile, overall housing costs — which includes furnishings and upkeep — remained unchanged. Apparel and transportation declined.

Last year, as a result of severe weather in the South and resultant serious crop damage, prices of fruits and vegetables soared in the Winter and Spring. This year's rise has been very moderate.

Market Basket Technique — The general public, we are sure, is not aware that the Consumer Price Index compiled by the Bureau of Labor Statistics is not an index of the cost of living.

Purely and simply, it is nothing more than the cost of a fixed "market basket" of goods and services. Each item is weighted according to its importance in some previous annual period, NOT IN ACance in some previous annual period. *Not in accordance to what consumers actually are buying now.*

We know well that housewives vary their family menus considerably in accordance with market availability and prices, but the Bureau of Labor Statistics takes no account of this.

If fresh fruits and vegetables are high and scarce, the housewife buys canned or frozen. If beef is high, she will buy more pork or poultry.

Retail food costs to consumers, according to BLS, are higher than a year ago. Yet, it has been proved that a housewife, by *(Please turn to page 674)*

As I See It!

By James J. Butler

THE INCOMPATIBLE MARRIAGE BETWEEN AFL AND CIO, IS ON THE ROCKS.

STRIFE inside the labor movement, long in the simmering state, has come to the surface, threatening realignment among the internationals that could shake Big Labor to its very foundations and atomize the grandiose hopes that created the merged AFL-CIO. The feuds, the rivalries had been glossed over until it became no longer possible to keep secret the fact that the attempted cohesion actually is tearing the parties farther apart than they ever had been.

President George Meany is under challenge from UAW's Walter Reuther. His co-author of the merger has moved with all his organizing brilliance to divest Meany of all but a shell of his authority, reduce him to the status of a ceremonial officer.

James R. Hoffa whose teamsters were kicked out of AFL-CIO has fattened union-wise since the ouster. The big merged organization which has the power, and was assumed to have the fortitude to whip recalcitrants into line is backing down to the carpenters' union. Boss Hutchinson of the carpenters is courting, virtually urging, that he and his card-holders be ousted too. James Carey, secretary of the "merged" forces seems ready to jump in what direction he find most inviting. Carey may hold the balance of power; he has "had words" with Meany, and could wind up on top of the heap.

The Detroit News

"And in this corner—"

The prestige and the material rewards that go with power are flowing in the direction of the lone wolves. From the standpoint of membership, Hoffa never had it as good as he has since he was read out of the AFL-CIO, and the end is not in sight. One can find his all-consuming ambitions plainly written into words he addressed to his union by way of inventorying the arsenal of the teamsters: "Fortunately, we are in a position in the labor movement to assist almost every contract negotiation of any importance and certainly *to assist in every strike*." If there is any doubt that Hoffa means "I" when he says "we" the following spoken words should dispel it:

"I will make a decision on every issue that comes to my desk. Whether or not you are right will depend on whether or not you win. Each individual, whether he likes it or not, in his own mind and in his own heart must accept finality from somebody at the head of the organization."

The Little Caesars of unionism are wilfully blinding themselves to the promises of the merger compact, each aiming to be top dog in the winner-take-all game of Labor "leadership."

The Contest Moves Into High Gear

President Meany was forced into a contest with Hoffa when the teamster chief set out to organize Puerto Rican industry. Hoffa may have been out-generaled: with the militant aid of Gov. Luis Munoz Marin, Meany might very well score heavily in this one, regain some of his lost prestige. He has in his files, communications from more than 75 of Hoffa's "locals" which are asking for re-affiliation — without Hoffa! But that wasn't enough to spur the AFL-CIO President on. It was obvious that he dreaded the risk of facing Hoffa. He didn't hesitate to set up rival unions to the laundry workers and the bakery workers when their abuse-ridden locals were kicked out of AFL-CIO. But the teamster boss is a blustering, reckless, determined rough-and-tough battler with moneybags at his disposal. And he has an ally in Boss Hutchinson who defies Meany to give him *(Please turn to page 672)*

Market Test Ahead

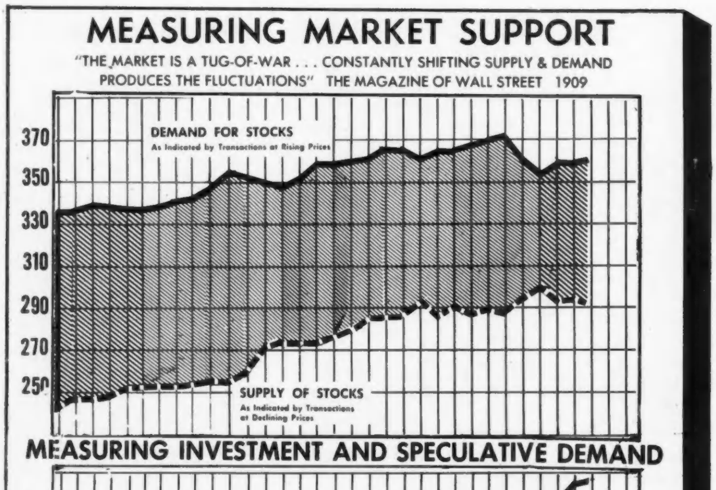
Although recent markets suggest that a further near-term rise, if any, probably would be limited and laborious, yet financial uncertainties must be considered in weighing the market trend. Rarely have the cross-currents been so numerous, nor need for a general corrective phase more evident.

By A. T. MILLER

In a "market of stocks", the averages gained a moderate amount of ground over the past fortnight. The Dow industrial average shoved definitely through its January 21 high by a margin of about 14 points. Utilities also moved into new high ground. During some sessions last week, trading activity expanded sharply. For a time it seemed that a market already loaded with speculative excess might take off like the rockets of this "space age."

But there are limits to values for overpriced stocks; and there are some aspects of recent market performance which do not look bullish. Contrasting with the picture given by the Dow average of 30 industrials, the actual over-all movement of stock prices to a new peak was sluggish and quite limited in its betterment of the best January level.

The rail list remained under its mid-January top. With leadership shifting rapidly, day-to-day performance has been highly mixed and somewhat erratic. Moreover, last week ended on a more sober note. Perhaps tired out for the present —and given an excuse by the Federal Reserve's boost in the discount rate from 2½% to 3% in another anti-inflation gesture—the market eased in the final trading session.



Significant Test Ahead

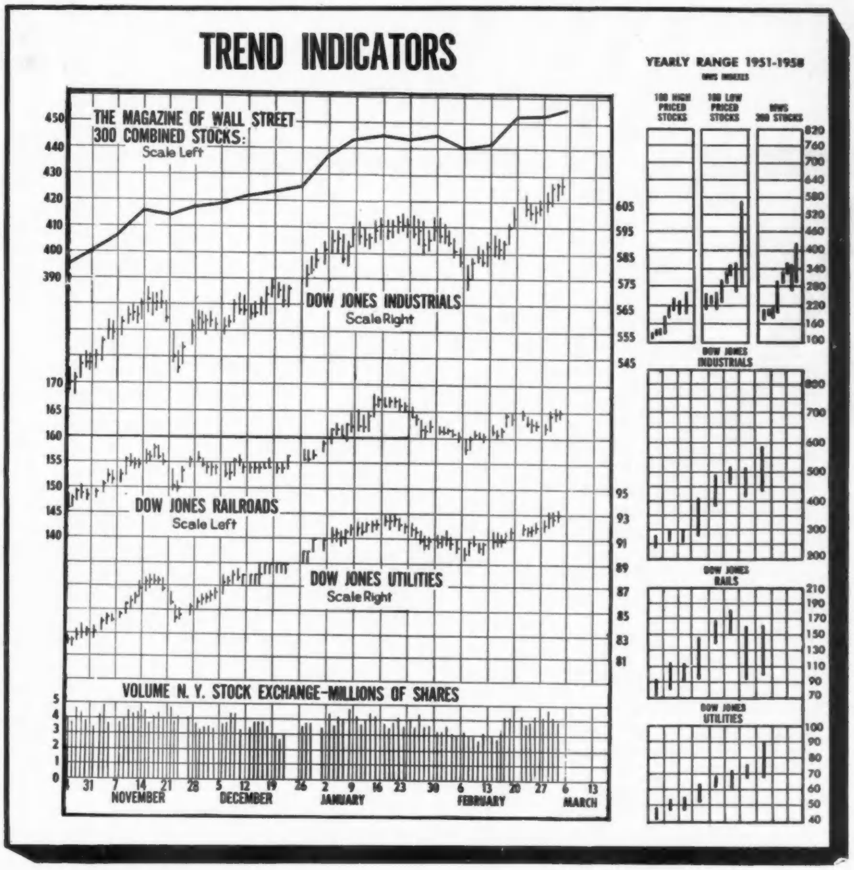
Whether the list is now ready for more than another brief and unimportant dip remains to be seen. So far as the current evidence can indicate, investors and traders remain more willing to hold or buy stocks than to liquidate on any important scale. But that is always so at an advanced market level—until there are more positive technical indications of topping-out tendencies; or until, for one reason or another, psychology shifts from high optimism to caution. That seems to be true also in this market.

For the early future at least, the test will be the willingness of institutional and individual investors, — of Big-Board floor traders and of speculators generally, — to keep on bidding up for stocks, which in the main, range from amply priced to issues excessively priced on prospective earnings and dividends for an extended time ahead.

To say that the recent market has been mixed is an understatement. Rarely has it been more mixed — so much so that in numerous instances one day's strong stocks have been the following

day's soft stocks. Last week, even before the Friday easing, the number of daily gains in individual issues was running ahead of daily declines by a ratio of only about five to four. In one trading session, with the Dow industrials up to a new peak, 493 stocks closed higher, 532 lower and 221 were unchanged.

Most stock groups are now higher than they were at the end of 1958, some largely so; but there is no lack of exceptions. Groups which are either little changed from, or below their 1958 year-end levels, include aircrafts, aluminum, automobiles, coal, containers, drugs, finance companies, food stores, gold mining, oils, paper, rails and steels.



A sizeable number of individual issues either have done little or lost some ground since the turn of the year. A partial list of some of the better-known ones includes: General Motors, Carrier, Allis-Chalmers, Container Corp., Boeing, Owens-Illinois Glass, Outboard Marine, Dresser Industries, Halliburton, Otis Elevator, Aluminum Company of America, American Can, Kroger, International Business Machines.

Meanwhile, until running out of juice in recent days, the so-called 'space-age stocks" — the stocks with largely unpredictable future earnings — got a big play. Some reached levels 50 or more times likely 1959 earnings. This is trading gone wild.

And how starry-eyed can investors get in projecting possible earnings of popular growth stocks five or more years ahead? To illustrate a general tendency, take General Electric as an example, although it is not among the most extreme issues in price-earnings ratio. Here is the record of per-share profits in recent years during a period with average business activity and capital-goods activity at record levels: 1954 \$2.30, 1955 \$2.40, 1956 \$2.45, 1957 \$2.84, 1958 \$2.78. It should be in the vicinity of \$2.90 this year. At that rate, earnings might be around \$3.50 a share by 1964, dividends possibly \$2.50, against \$2.00 now. If so, the stock is priced around 23 times 1964 earnings and potential yield on 1964 dividends is about 3%.

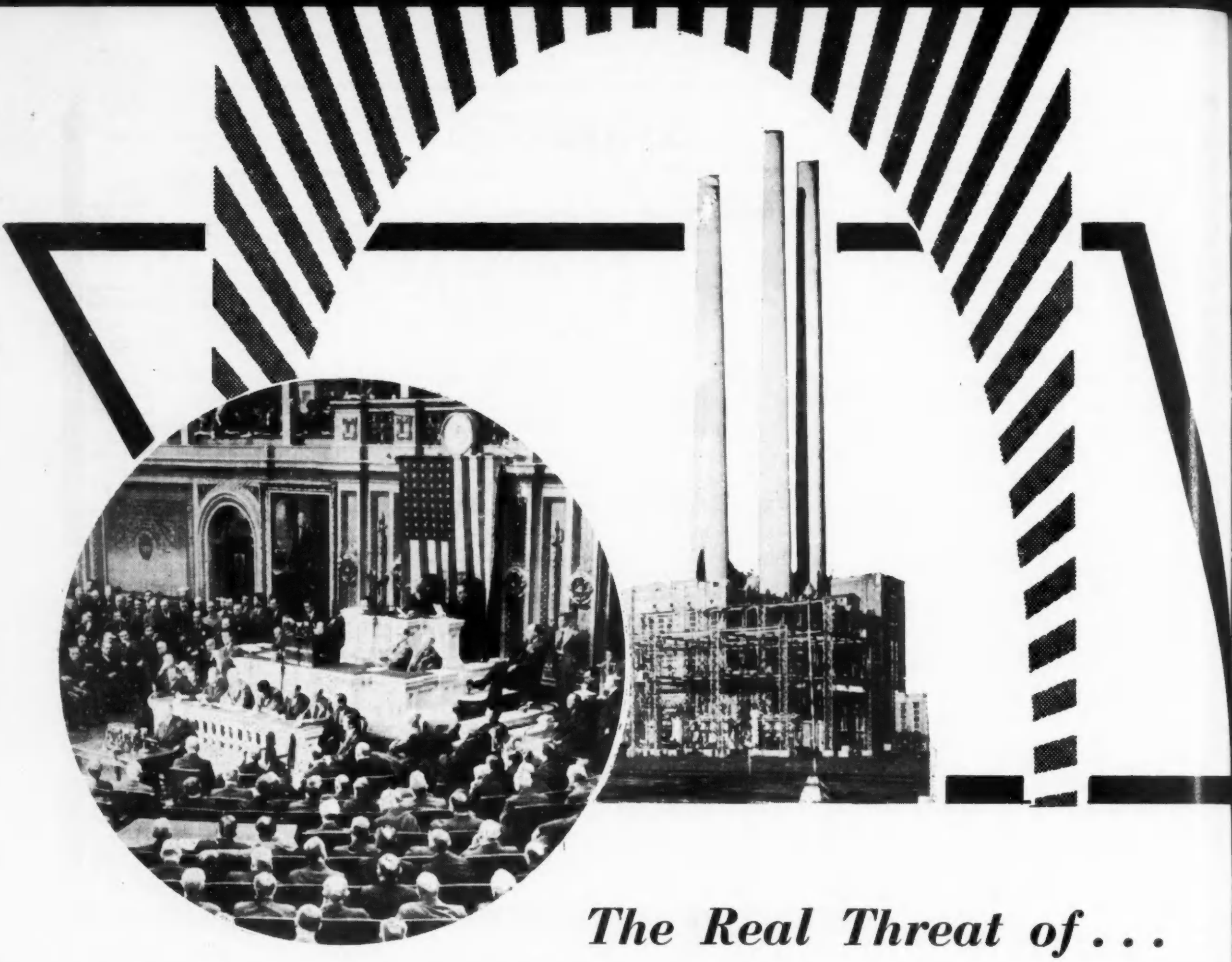
General Electric is a first-class company and the total corporate annual growth is not large percentagewise, though certain divisions may expand dynamically. On an average annual basis over the years 1947-1953 — by no means ancient history — the stock's price-earnings ratios ranged from below 10.0 to 15.3; and its highest 1953 price was about 16.0 times earnings.

But what about inflation and the pressure of funds seeking employment? Answer: inflation, measured by purchasing value of the dollar, was at a higher rate over the 1947-1953 period than it is now or is likely to be at any time soon; and that there was no 1947-1953 shortage of investible funds. The primary difference is that at the earlier time people had not become over-sold on the merits of common stocks, regardless of valuations; the inflation psychosis had not developed and speculation had not mushroomed to anything like its present extreme. In fact, there was a declining market to mid-1949 — and a considerable setback in 1953, with various issues showing high earnings and dividends equal to as high as a 10% return. Our long-term readers will recall that at that time we recommended a list of stocks which have since doubled, tripled in value, or advanced even more on stock splits.

The Supply Of Shares

Today both via equity financing and secondary offerings, the supply of shares for sale is increasing. Recent examples include sizable offerings of Nickel Plate and Columbia Gas. Coming up is disposal of 1,800,000 family-owned shares of A. & P.; and a rumored sale — not denied — of 2,000,000 or more shares of Ford Motor by the Ford Foundation. As usual, at a high market level, there will be others.

(Please turn to page 674)



The Real Threat of...

Nationalization for Electric Power

By McClellan Smith

NATIONALIZATION of electric power production and distribution is posing the biggest threat to private utility investments since the day when the government fertilizer plant at Muscle Shoals burgeoned out under the aegis of David Lilienthal and his associates to become a power facility reaching for, and eventually gaining, multi-state patronage.

It no longer is a "radical scheme" of the New Deal, to be carried under the impetus of an Administration dedicated to the creation of "brave new frontiers of government." Today public power rides on the shoulders of both political parties. While Senate Democratic Leader Lyndon Johnson rallies advocates to fight for their cause, "even with beer bottles," the Minority Whip, Senator Thomas Kuchel of California exhorts: "Federal law and policy provide for multi-purpose reclamation projects whose by-product of electricity shall be sold, first, to non-profit public agencies—Federal, state and local. Federal reclamation has helped build the West. It has been assaulted and condemned by selfish people who want no yardstick, and who resent what they sneeringly call socialism."

Running directly contrary to the Eisenhower policy in these matters, Senator Kuchel declaim that if this is socialism then the City of Los Angeles practices socialism. Moreover, he promises that the "selfish people"—opponents of public power—will lose as they have, he reminds, in the past.

Other Capitol Hill figures of great influence who have given their "blessings" to public power include House Speaker Sam Rayburn and Senator John F. Kennedy, Massachusetts Democrat and presently mentioned as a strong contender for the 1960 presidential nomination. Rayburn recently told 7,000 cheering delegates to a Washington convention of Rural Electric Co-ops that Congress will "never" raise interest rates on Federal loans to the farmer electrical (and telephone) systems, while young Kennedy, the presidential hopeful, recently endorsed Federal development of electric power facilities. His remarks on the subject plainly indicate more and more public power will be a plank in his personal platform as he campaigns for a nomination he has not openly admitted to seeking.

On an odd note, the Senator's home State has derived no benefits from the Tennessee Valley Author-

ity—Uncle Sam's biggest electric power venture—but Massachusetts through its tax-wise contribution to the Federal revenue has "invested" more than three times as much in TVA as have the taxpayers of Tennessee!

While President Eisenhower pleads, as he did at the 17th annual meeting of the National Rural Electric Cooperative Association in Washington, that such agencies assume the duty of citizenship, and pay a reasonable rate of interest on Federal loans, Speaker Rayburn addresses the House to declare: "The rates will never be raised!" It is obvious who will win: Rayburn has the votes to down the Administration interest revision plan.

Parenthetically, the interest rate to the rural electric and telephone co-operatives is two percent; this, in an era of deficit financing when the Government pays in the neighborhood of four percent on its borrowing!

Council of State Chambers of Commerce

In a recent analysis of the 1960 Budget, the Council of State Chambers of Commerce pointed up possible specific cuts, exclusive of defense, totaling $3.2 billion, over $500 million of it in the public power and rural electrification fields. Recommended was the elimination of $200 million in new authority for TVA revenue bond financing, plus $18 milion of expenditures in 1960. Also endorsed was presidentially proposed legislation to eliminate $325 million of loan commitment to the rural electric and telephone co-operatives.

President and Treasury Issues

The President's budget message points out that over 95 percent of the nation's farms now have central station electric service.

He further states that rural industrial and non-*farm residential consumers, who already account for one-half of total power sold by the REA system, are increasing their power consumption much faster than are farm consumers, and comprise about 75 percent of the new customers being added.*

REA is a big growing business. Today there are 1,081 REA systems serving 4,600,000 consumers, 800,000 of them added since Jan. 1, 1953. Yet, REA continues as one of a small handful of approximately 100 government-assisted enterprises which do *not* pay the Treasury an interest rate *as high as the Treasury must pay to obtain funds to lend to rural electric co-ops!* The President does not suggest existing contract rates be boosted, for that would be illegal. His proposal looks to the future. He puts it this way: "The effort here is not to give one group of citizens special privileges or undeserved advantage. Rather it is to see that equality of opportunity is not witheld from the citizen through no fault of his own."

Double Taxation For Private Utilities

While the Treasury sifts means to produce more tax revenue, the government continues on a course of action that reduces its income. Private power companies pay taxes on their physical properties and their incomes. They distribute their profits in the form of dividends, which then are taxed in the hands of stockholders. The same money is taxed twice in the instance of private enterprise operation.

In the case of public power development and distribution there is no tax. Instead the taxpayers throughout the country are mulcted to subsidize the favored customers: The Treasury supplies the capital funds.

Several million United States families and businesses get their electricity from Federal government electric systems such as TVA, while many millions more who receive no service help pay the major share of the monthly bill! About 23 cents of each dollar paid to an independent electric utility goes to the U. S. Treasury. The customers of public power companies pay about four cents per dollar, in taxes. Naturally the lost tax revenues must be made up by somebody. And that somebody is you! First, your taxes helped build the Federal power plants that produce the electricity; then you have to be taxed again because they pay only about one-fifth of what you fork over to a private enterprise system to be forwarded to Washington.

From 1882, the beginning of the electric power industry, until 1932, municipalities and other local entities competed with the investor-owned utilities. But is was not until 1932 that the Federal government (then owning one percent of the nation's electric generating capacity) moved in with both feet. Today, the government owns about 17 percent. TVA was the big break-through. It was put over as a fertilizer plant and an aid to navigation and flood control. Power production was passed off as a by-product. But the "incidental" use became the main purpose. With production of electrical energy came the need for a distribution system, and that's where REA came into the picture.

Government, advancing the fiction of cheap servicing to the people (all the while keeping the true costs buried by failing to mention the loss of taxes and income on use of public money) was not satisfied to promote public power in a competitive field. Agencies of public and quasi-public nature set out to defeat development by other than government, of such power sites as the Niagara River, Hell's Canyon, and Mountain-Sheep Pleasant Valley on Snake River. Following TVA came REA, the Bonneville Power Administration in the Pacific Northwest, the Southwestern and Southeastern Power Administrations.

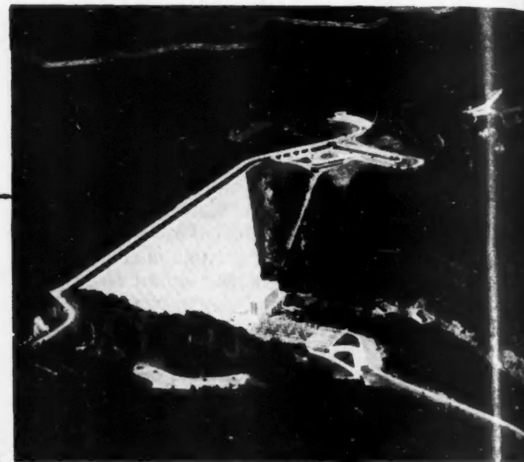
Private Utilities Disappeared

The various agencies named in the preceding paragraph, through propaganda (and no small modicum of political co-operation) have wiped out the investor-owned electric industry in all of Tennessee and rural Nebraska, while large segments of the private enterprise electric systems have "gone down the drain" in sections of Alabama, Georgia, Mississippi, Oregon, South Carolina, Texas and Washington. In dozens of other places too numerous to list, areas that otherwise would have seen the natural expansion of investor-owned companies, private electric utilities have been drastically curtailed—often close to the point of elimination. The discriminatory advantages of virtually tax-free government power have been the cause.

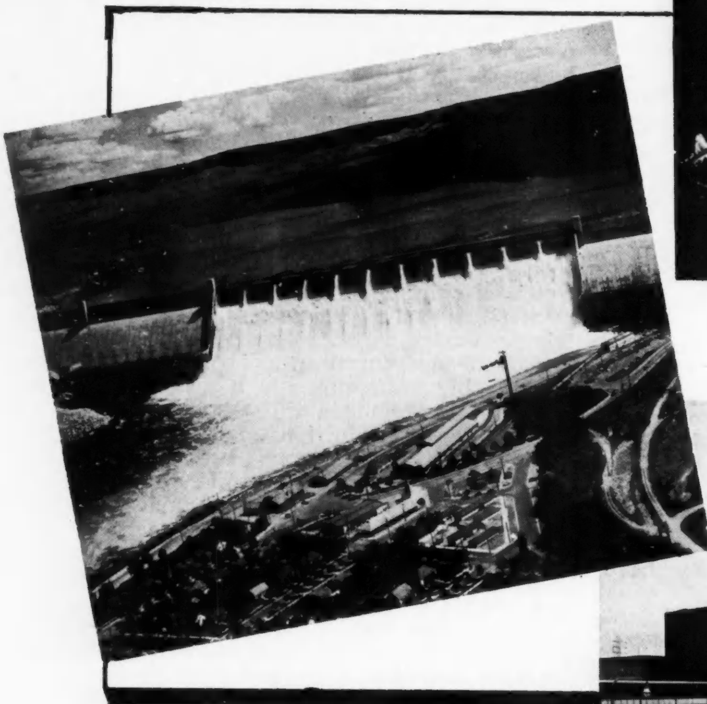
The public power propagandists, often aided and abetted by political opportunists, have been success-

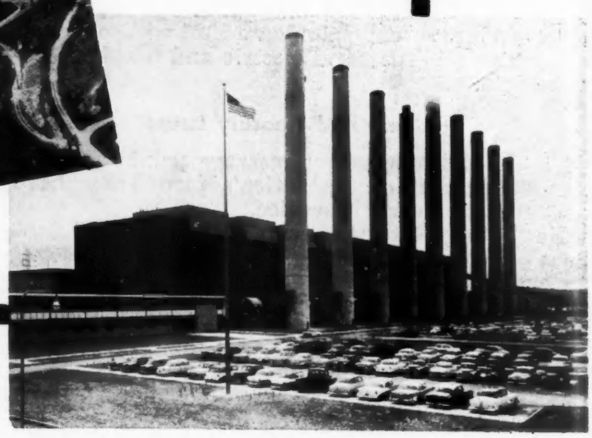
IMPORTANT GOVERNMENT POWER PROJECTS
And What They Cost The Tax-payer

FONTANA DAM of the TVA System. It cost the U.S. Taxpayers $75.6 million, of which Tennessee (the principal beneficiary) paid slightly more than $869,000. →



GRAND COULEE DAM — Uncle Sam's largest hydro-electric installation. On the Columbia River in Washington, it was built at a tax-payer cost of $275.4 million, of which the three principal beneficiary states—Washington, Oregon and Idaho—paid slightly more than $7 million. ↓





TVA's KINGSTON steam plant, in Tennessee, was built at a tax-payer cost of $198.9 million, with the six TVA Area states of Alabama, Georgia, Kentucky, Mississippi, No. Carolina and Tennessee contributing $12.1 million (through Federal taxes). →

ful in bringing so-called cheap public power to many localities through the medium of tax-exempt State or municipal bond issues—a method of financing the construction of production and distribution facilities. The investor-owned company can't issue tax-exempt securities. The reader can readily see the difference.

In many instances, the tax-free financing has been used, not to build generating plants, but to link a specific area with low-cost Federally-generated power. When this happens, the investor-owned electric utility of the area can only dispose of its facilities at a court-determined price under condemnation proceedings.

Public power advocates, including such Federal agencies as REA, Bonneville Power Administration, TVA, and the Southeastern and Southwestern Power Administrations (not to mention a few members of the National Legislature) have long propagandized the "blessings" of low-cost, tax-free Federal electric power. Such exploitation is a form of advertising. But, when investor-owned utilities, in self-defense advertise their own position in the private *versus* public power issue, they are immediately castigated for "indulging in propaganda at the expense of the Federal Treasury." Nevertheless with the tons and tons of "literature" published by the various Federal agencies advertising in favor of the development and use of Federal electric power there is also a drain on the Federal Treasury!

However, political supporters of public power have hauled in a new piece of artillery in their assault on the tax-paying private utilities. This new field piece is a Bureau of Internal Revenue ruling that legitimate defensive advertising by the investor-owned electric utilities in their battle with Federal competition is propaganda, and not a legitimate business expense, consequently is not so chargeable for income tax purposes. The ruling, on shaky ground because of its potential conflict with the

First Amendment to the Constitution, may be bolstered by legislation introduced during the current Congressional Session.

What Economic Value in TVA?

At this point there might well be an analysis of the alleged economic value of the Tennessee Valley Authority; what is reported of TVA is, to a considerable extent, applicable to the Bonneville Power Administration, government's second largest power development.

Unquestionably, TVA has been a boon to some people—most of them in Tennessee. But let's look at some facts. Let's put this question: Has public power—and Socialism as exemplified by TVA—done any real good, beyond creating low-cost electric power at the expense of the 42 States (now 43) not in the TVA area? The answer is a flat, hard and unequivocal, "No!"

Cost to Taxpayers

A review of Congressional appropriations reveals that taxpayers of the United States have poured into TVA—by direct Congressional appropriations — the not niggardly sum of $1,944,451,581. The figure does not include moneys TVA has plowed back into expansion. Now, what does it add up to? There are six States in the so-called TVA area — Alabama, Georgia, Kentucky, Mississippi, North Carolina and Tennessee. Of the six, Tennessee has enjoyed benefits of 57 percent of the Federal expenditures. Today, the Volunteer State has approximately 100 percent of the power benefits of this flood control-navigation project of which hydro electric power was to be a "by-product."

By the end of next Fiscal Year, total taxpayer investment in the Tennessee Valley Authority operation will reach the figure of $2,159,571,685. *The budget pending before Congress contemplates a donation of $15,286,000 to TVA to which will be added as available funds, revenues of the operation amounting to $287,907,000. And legislation is pending to permit TVA to expand further by issuing revenue bonds and spending the income. The huge facility already has more than 150 satellites—public power agencies which purchase energy.*

The story of public power "economy" has been told and re-told through official agencies, and particularly by members of Congress from the subsidized areas. One feature of the story invariably is missing: what public power costs the taxpayers who do not share the benefits, and what it would cost if the normal accounting items of overhead were reflected in the rates. When privately-owned companies sought to fill this informational void, they were rebuffed on the Senate floor and punished by agencies of government.

On demand of Senator Estes Kefauver of Tennessee, the Federal Power Commission and Internal Revenue Service moved against the companies. The taxpaying producers and distributors of energy had banded together as ECAP (Electric Companies Advertising Program) and expended $863,130 to argue that public power plants are enormously favored in the competitive arena by such discriminatory advantages as freedom from Federal income taxes; small, or no, local taxes; ability of local agencies to sell debt securities bearing interest not subject to Federal income taxes; financing by use of Federal funds either appropriated without interest or loaned to them at interest rates below the cost of long-term capital to the Federal Government; rates for preferred customers which do not reflect the true cost of rendering service. They pointed out that the largest producer of power in the country is the U.S. Government and they asked, through their advertisements, that competition with it be equalized. The Government's answer was to deny ECAP participants the right to charge off (as a rate-making base) their advertising expenses as a just, normal, and ordinary cost of meeting competition. The Supreme Court has just upheld the position of the government in a ruling handed down last week stating that such advertising constituted Lobbying.

Inequalities and Loss of Taxes

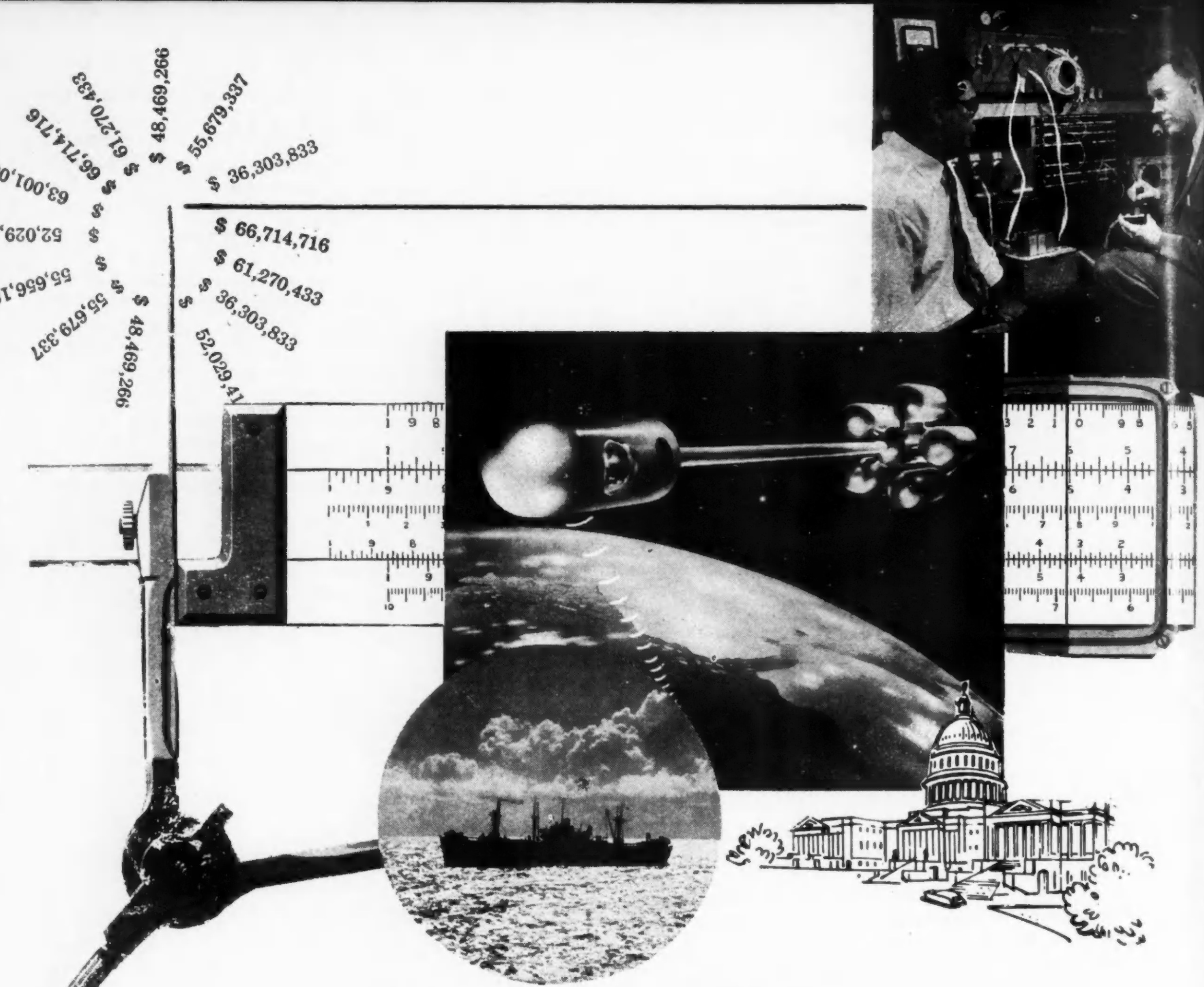
Going back to the $1.9 billion tax cost of TVA, study of the percent- *(Please turn to page 671)*

Installed and projected Federal Hydroelectric Plants
(In Operation, Under Construction & Authorized)
July 1, 1958

No. of Plants	IN OPERATION	Installed Capacity — Kilowatts Existing	Being Installed	Planned Ultimate
	Operating Agency			
33	Corps of Engineers	5,616,400	1,198,000	7,558,400
35	Bureau of Reclamation	5,061,500		5,061,500
29	Tennessee Valley	2,742,500		2,742,500
2	Bureau of Indian Affairs	10,320		10,320
2	National Park Service	2,600		2,600
1	Intl. Boundary & Water Comm.			
	Plants in Operation			
102	TOTAL	13,464,820	1,198,000	15,525,820
	UNDER CONSTRUCTION			
	Construction Agency			
13	Corps of Engineers		3,299,400	5,235,000
9	Bureau of Reclamation		1,117,150	1,117,150
	Authorized By Congress *			
22	TOTAL		4,416,550	5,352,150
	AUTHORIZED BY CONGRESS *			
31	Corps of Engineers			2,713,235
28	Bureau of Reclamation			1,158,950
59	TOTAL			3,872,185
	SUMMARY			
102	In Operation	13,464,820	1,198,000	15,525,820
22	Under Construction	—	4,416,550	5,352,150
59	Authorized	—	—	3,872,185
	TOTALS	13,464,820	5,614,550	24,750,155

* Appropriations not yet voted.

Editor's Note: *At the 1934 inception of TVA, The Federal Government had six hydroelevtric plants in operation with a total generative capacity of approximately 143.000 kw.*



What $40 Billion in DEFENSE SPENDING Means

By Allen M. Smythe

- ► To Our Economy — the State of the Nation
- ► Debt and Tax Structure
- ► Employment — and The Investor
- ► If disarmament — if peace comes
- ► Productivity — Individual Company Position

"FORTY billion dollars *for defense*" rolls off the tongue effortlessly, but deceptiveness may lurk in the title, for today the nation's well being, not only in its armed might, but also in its civilian economy, depends on the wisdom and direction of this gigantic spending.

A clue to the serious earnestness with which the Administration is considering this subject was given at a White House press conference. President Eisenhower, discarding "his usual humility", declared that he knows more about this country's military requirements than his critics in industry and Congress.

This comment came as a climax to a number of statements in which the President expressed his determination to balance this budget and to eliminate unnecessary military spending and duplication. In doing so, he emphasized the great need for maintaining international respect for the dollar, to avoid the lowering of prestige that would follow further weakening of our currency, which would defeat our diplomacy.

It is well to remember the defense budget of $40.7 billion is an approximation, arrived at six months ago to reflect conditions then existing, modified somewhat on the basis of what the White House, Pentagon, and Budget Bureau foresaw, or thought they did. In broad outline it stated a defense posture with heavy overtones of speculation. Already

changed conditions, here and abroad, and technical developments, have served to distort the picture.

The defense budget was the Administration's initial blueprint for national security requirements for fiscal 1960. But in matters involving appropriations, the Administration is in the minority: the Democratic-packed Congress is in the driver's seat and is beginning to be heard from. Nevertheless the President's words on military matters have a persuasive political appeal, and he has the constitutional right to withhold spending of congressional appropriations, if he believes that Congress has acted on political impulse and emotion rather than logic and military reason.

What does this mean– It means simply that projecting the inseparable issues of national economy and national defense can be achieved only by going deep below the surface. There are few facts, but many trends, in the status and outlook. Defense procurement is an ever-changing operation. Many of the switches are dictated by happenings in sanctums thousands of miles from Washington. Not a few of them are developing daily in offices and plants throughout the United States where federal income taxes are withheld.

One of the first queries to be answered is whether Congress will vote more, or less, defense funds than the President requested. Will the lawmakers earmark funds in a way that will do violence to the pattern laid down by the Pentagon, holding back major amounts to give leverage to their demand for compliance? Which companies stand to get much, or more, under a revised plan, and which will have less remunerative contracts?

On the *economic side* the number of planes, ships, missiles or other weapons, present only units of measurements which translate into dollars for industry, for plant owners, for payrollers. To the stockholders the technical aspects are secondary. The power of an engine, the speed of a bomber, the propellant of a missile and the draft of a hull seem to take on meaning only when a shortcoming or a new development speeds a "stop order" to a bustling factory, or a "proceed" to another. Yet a knowledge of trends and developments is basic to determination of who will win, or lose, economically; and if there is to be a win, will it be spectacular, or if there is to be a loss, will it be crippling?

Since there are certain to be shifts in defense orders, what is likely to be the economic effect on business and employment? Then, for speculative purposes, what might happen if the cold war collapsed and defense procurement plummeted; would it pull the economic structure apart?

Or would it permit large tax cuts that would release civilian spending, in a way that would bring our economy into a better balance? That is something we should be considering now,—in connection with various alternative plans to meet such a contingency.

HIGHLIGHTS OF ADDRESS BY ADMIRAL ARLEIGH A. BURKE, USN

Chief of Naval Operations — Charleston, South Carolina Chamber of Commerce, February 20, 1959

"The United States has the ability, right now, in being, to destroy the Soviet Union. We can do it in several ways, and several times over with our powerful Strategic Air Command of the United States Air Force, with carrier striking forces of the United States Navy, with tactical air, and with Intermediate Range Ballistic Missiles which are now being installed in certain European sites."

"The Soviet Union can not prevent our retaliatory strikes should the Kremlin leaders decide to initiate general nuclear war. Therefore, the probability of general nuclear war is remote, for it would be suicide for the USSR."

"It is not a quantitative missile gap we should be concerned about. Rather it is a qualitative gap we must be careful to avoid. The real question, then, is, can we avoid the qualitative gap which could develop in the years immediately ahead? The answer is yes."

"The really important thing about a deterrent force is not numbers but invulnerability; not total numbers built, but numbers we will be able to use. In making our retaliatory forces secure from enemy attack, we do not need great numbers of missiles and bombers."

"Whether the USSR has one-half as many or several times as many missiles as the United States, is really academic as long as we have the assured capability of destroying Russia, and as long as the Soviets know it, and are really convinced of it."

"We are ahead of the Soviet Union now. We are industrially ahead. We are ahead of the Soviets in the application of nuclear power in our forces. We are ahead in the development of solid propellants for ballistic missiles."

Let's Examine the Situation

First, let us consider our total national budget of which defense expenditures are the major part.

It is estimated that during the current fiscal year which will end June 30, the Government will spend approximately *$12 billion in excess of its revenue.* The full inflationary effect of that spending has not yet been felt. The President has submitted for Fiscal 1960 a balanced budget but the balance was predicated upon assumptions which are highly optimistic. The major assumption is that in the twelve months commencing July 1, 1959 corporations of the nation will enjoy the largest earnings before taxes in their history, and that the taxable incomes of individuals will increase more in that period than at any previous time in our history. Both of those contingencies must occur if the Treasury is to realize an additional $10 billion of tax revenue. There is every reason to believe the next fiscal year will be a prosperous one but the degree of increase still is open to question.

The *second assumption* of the President to justify his estimate of a balanced budget, is that the Post Office defiicit will be reduced by imposition of a five-cent rate on first class mail and that increased highway spending will be met by an increase of 1½ cents per gallon in the Federal gasoline tax. The chances for imposition of those two new taxes are less than 50 per cent.

A *third assumption*, of course, is that the Congress will hold appropriations at or below the figures recommended in the budget. The optimism of that assumption was tested for the first time by action on

housing legislation when both branches passed bills for increased amounts over the Administration's recommendations.

Already, because of Premier Krushchev's attitude on the Berlin situation, there is a mounting demand in Congress to increase defense spending. One group wants to extend the B-52 (Boeing) heavy bomber production another year. Another group would double the number of Atlas (Convair) and Titan (Martin) intercontinental ballistic missiles on order. A third group would rush the Zeus (Douglas) anti-missile missile into production. All of these efforts would cost the taxpayer billions.

President Eisenhower has, as yet, given no indication that he sees the need, or likes the cost, of these suggestions. His Defense Secretary, Neil H. McElroy, pointed out at a Senate hearing that several years ago the Nation was upset over the threat of thousands of Soviet long-range aircraft which, he reminded, never materialized.

In a speech at Charleston, S.C., Admiral Arleigh A. Burke, top Navy chief, brought out in a clear and forceful manner that this Nation had the power, in being, to destroy Russia "several times over." Chiefs of the Army and Air Force have given corroborating testimony to Congress in closed hearings.

The *Air Force* reports this nation has a "capital investment" of over $23 billion in early warning systems to detect enemy bombers. These are located mostly in Canada. If supporting aircraft, missiles, atomic bombs, maintenance and other costs are added "the total expended might approach $60 billion."

The Army estimates it has spent over six billion dollars on real estate, training and weapons on the Nike-Ajax (Douglas) ground-to-air missile project to defend cities from enemy aircraft. It is being largely replaced by the newer Nike-Hercules (Douglas) on which over two billion dollars has been expended. Several billions more will go to these two "point defense" projects before they are completed.

Russian Obsolenscence and Problems

Four years ago the Soviets announced with great gusto that their new Bison four-engined heavy bomber was another of their great scientific achievements and would soon dominate the skies. Small groups were flown over Moscow during May Day parades to impress foreign diplomats and military attaches. Recently Premier Krushchev said that bombers were obsolete and he stressed new successes in ballistic missiles.

Officials in the Pentagon estimate that between 40 and 150 Bison bombers have been built. Some military officers say it might be an effective weapon. Other experts speak contemptuously of it as a second-class aircraft with third-class engines. There is little evidence that the Soviets have developed a reliable aerial tanker or an efficient refueling technique, both of which are esential for such a long-range bomber.

Caution On Our Needs

The attitude of Congress which has so generously voted funds for almost any proposed defense project is now turned to one of credulity as to the need of such a variety of weapons. Some take the viewpoint of one Senator who, after a closed hearing on defense subjects, said: "We must be careful not to let Russia scare us into national bankruptcy."

What Our Allies Are Doing

The actions of some of our allies have attracted the attention of our more astute lawmakers. Great Britain has deemphasized manned aircraft to the extent that she has all but eliminated flight training. She has accepted from us four squadrons of the Thor (Douglas) 1500-mile range ballistic missiles. They will be replaced in two years by the English-made Blue Streak 2000 mile weapon. The English Army is being reduced by 20 per cent and the draft has been eliminated. Great Britain's $4 billion annual defense budget appears scheduled for further reduction.

Canada's Premier Diefenbaker announced to Parliament recently that he had cancelled the contract for the Arrow (Avro, Ltd.) supersonic jet fighter, and 14,000 employes in the airframe and engine factories near Toronto were dismissed. An estimated 16,000 employes of the 600 suppliers were also affected.

The Premier stated that manned aircraft intercepter defense was outdated, and that the Bomarc (Boeing) "area defense" missile would hereafter protect Canadian cities and the Lacrosse (Martin) missile would serve the Canadian Army for overseas duty.

The Bomarc is a Mach 2 ground-to-air missile of 400 to 600 mile range. It is powered by two ramjet engines (Marquardt) and carries conventional or atomic warheads. The Premier announced that two-thirds of the cost of the bases and equipment would be met by the United States and a high percentage of the weapon would be produced in Canada.

The Boeing Co. announced that substantial subcontracts have been awarded to Canadiar Ltd., a division of General Dynamics.

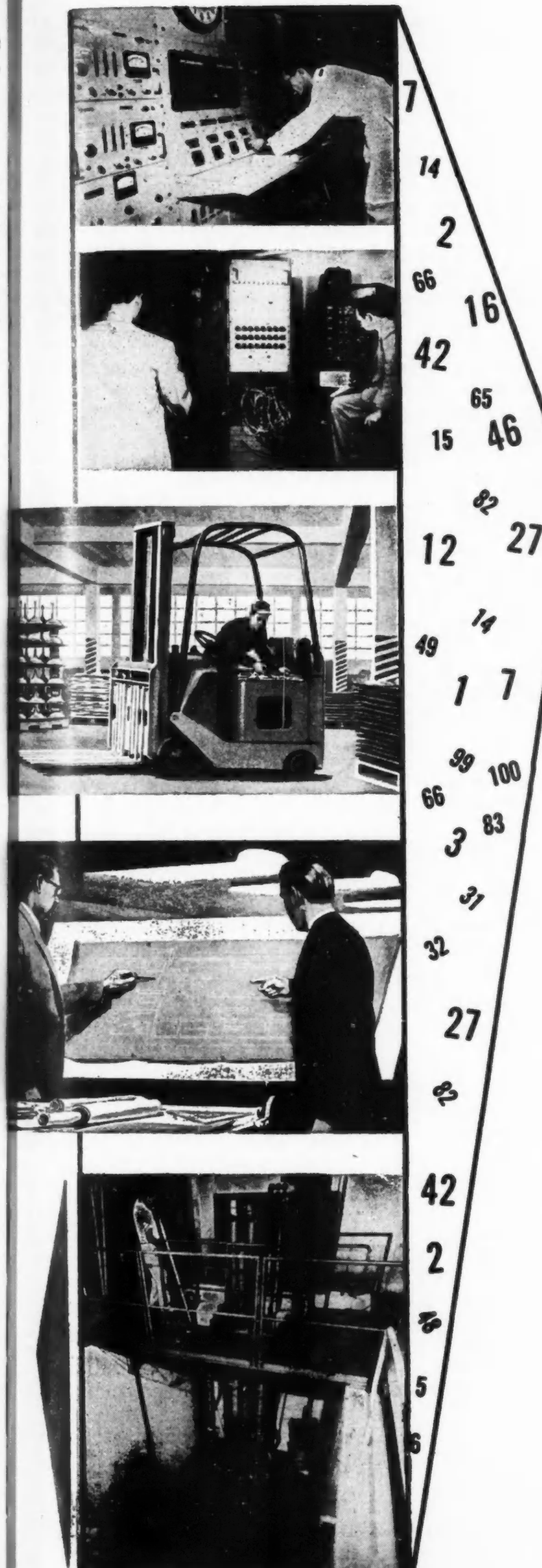
Shifts Necessary Under Crisis

However, any new crisis in Berlin, the Near East, or Quemoy could cause a reversal in the budgetary measurement of defense requirements. Budget balancing and inflation dangers are held secondary to national security. A new crisis, which appears to arise with exasperating regularity, always influences public opinion. Aided by affected industry and labor elements, and political opportunists, public opinion could force Congress and the Administration to take action on proposed projects that, although expensive, would further our national security.

Various Kinds Of Weaponry Under Construction

Our Pentagon planners have such plans. Often they need only funds and a go-ahead signal to be put into immediate operation. As such decisions involve billions of dollars they have a direct bearing on the earnings of some of our blue chip defense firms.

One such decision under consideration is the proposed extension of the B-52 bomber production. With the present contract *(Please turn to page 662)*



Part Three

WHAT 1958 EARNINGS REPORTS REVEAL

—and Keys to Second Quarter Trends

By Harold B. Samuels

- ► **A highly sophisticated analysis of values behind the stated figures — so important at this time**
- ► **Why profit margins — as distinct from per share earnings — are an important gauge for evaluating a stock.**
- ► **Where increased earnings-dividends are likely**

1958 was an extraordinary year. In the first half American industry ebbed to its lowest operating level since the Korean War, and profits slumped far greater than at any time since the end of World War II. Yet, by year end, industrial production was headed back toward the pre-recession peak hit in December 1956, and profits had snapped back to the near record rate of most of 1957.

The above record is written vividly in the hundreds of corporate annual statements that have been released in recent weeks. But they also contain something more. As we pointed out in the two previous sections of this Report, industry prepared well for the business resurgence that materialized in the latter half of 1958. Costs were cut to the bone, labor was rehired slowly, and cash was conserved as never before. The end result was radically widening profit margins in the third and fourth quarters that recouped a substantial part of the ground lost in the first half of the year—and in many instances companies actually went on to new earnings heights.

In some special cases the record earnings reflected the continuation of a strong earnings trend that not even a severe recession could interrupt. **Zenith** for example, hardly noticed the business slowdown. Sales soared to $195 million from $160 million in 1957, for a 22 percent gain in a year when sales for the rest of

the television industry dropped by 20 percent. Moreover Zenith didn't rest with demonstrating that it could outsell the TV industry, — but made striking gains in electronics and other diversified products. Its sharp earnings advance proved that what it accomplished could be done profitably as well. Earnings per share climbed to $12.30, a jump of almost 25 percent over the $8.29 reported in 1957.

Interestingly enough, reports from the industry indicate that TV set sales are still on the downgrade, but Zenith reports that in the first quarter of 1959 sales gains are continuing, and that by the end of March revenues should be 25 percent ahead of the first three months of last year.

Most other companies, however, scored their advances in less spectacular fashion. **Eastman Kodak** relied on a very strong fourth quarter to carry it through to new earnings heights, but even with a $30 million sales increase for the year, strict cost cutting and an average 1% price increase were necessary before a few more cents per share could be added. The final figures for the year toted up to $5.13 per share, just a shade better than the $5.09 reported a year ago.

Per Share Earnings In Perspective

Before deprecating the small increase in Kodak's per share earnings, however, it might be well to put the whole concept of per share earnings in perspective. The 4¢ addition over the 1957 figure represents an $800,000 increase in total profits for the year. When spread among almost 20 million shares, however, even such a lofty figure pales a bit.

It is useful therefore, to use other criteria in evaluating a company.

For comparative purposes let us also take a look at **Borden Co.**, a major enterprise which is as much a leader in its own field as is Eastman Kodak. Borden's sales of $915 million are roughly comparable to Kodak's $800 million in total revenues. Moreover, per share earnings are almost equal, since Borden reported $5.06 compared with Kodak's $5.13. On the face of it, therefore, it is difficult to explain why Eastman Kodak's stock should sell at twice the price of Borden's, especially since the dividend payments of both companies are almost exactly the same.

A little digging, however, illustrates that Kodak is an immensely more profitable company than Borden. On its sales of $800 million Kodak reported profits after taxes of $99 million. Borden on its higher sales reported net income of $24.5 million or roughly one-fourth of Eastman Kodak's earnings. *In other words, Eastman earns four times as much on each dollar of sales. But because Eastman also has just about four times as much stock outstanding as Borden, the earnings must be divided among four times as many shares.* Per share earnings therefore are about the same, although Kodak's profit margins are much larger than Borden's. These larger profit margins, stem from the fact that Kodak is in a less competitive industry as compared with the dairy companies and has developed virtually unique products through extensive research, factors which are conducive to long-term growth and therefore tend to make the stock sell at an advanced price-earnings ratio.

This same kind of comparison can be made between scores of companies. We used Eastman and Borden, however, because each represents the best in its field. Borden is less profitable because of the nature of its industry and not because of any internal weaknesses.

Borden Makes Good 1958 Record

As a matter of fact, Borden's 1958 performance was quite good. *Sales declined $16 million, but earnings moved up to $5.06 from $4.94 in 1957* — the mark of good management. The recession had a relatively minor affect on the company's operations since the demand for dairy products tends to remain stable regardless of economic conditions. However, the company used the impact of the recession in the overall economy to tighten cost schedules and to eliminate several unprofitable distribution lines, thus raising profit margins moderately.

All other things being equal, the company with fewer shares outstanding will report the higher earnings per share on sales increases. But before arriving at firm conclusions that fewer shares automatically means higher earnings, it is well to look carefully at the overall rate of profitability as we have done here.

A Look At Tobacco

That simply looking at per share earnings can be misleading, is also demonstrated by comparing companies in the same industry. **Reynolds Tobacco** and **American Tobacco** provide a good case in point. In 1958 R. J. Reynolds earned $7.60 per share while American reported per share profits of $8.55. Sales were just about equal, roughly $1.1 billion for each company. Reynolds, however, reported net income of over $78 million on its sales, or $13 million more than American. Moreover, Reynolds profits were $14 million greater than in 1957 while American's were only $4 million ahead of the previous year. Obviously, the market's more generous appraisal of Reynolds is not capricious, despite the fact that net per share is actually less than American's. Reynold's performance is patently more impressive despite the fact that it has 10 million shares outstanding compared with 6.7 million for American Tobacco, which had special promotions on various brands, — that should pay off later.

Major Company Reports

Since publication of Parts I and II of this report several of the most important industrial corporations have released the results of their 1958 operations. In general, they tell the same story that we have charted through our two previous sections, but there are individual differences.

General Motors, for example, demonstrated once again its commanding position in the automotive field. In a year of sharply lower volume which saw its major competitors sink into the red or struggle hard to make ends meet, GM remained consistently in the black.

Sales and earnings, of course, receded considerably from 1957, but the company's performance was far better than its major competitiors. As a matter of fact, unit sales of cars and trucks declined by 29

Comparative Sales, Earnings & Net Profit Margin of Leading Companies

	Net Sales 1957 (Millions)	Net Sales 1958 (Millions)	Net Profit Margin 1957	Net Profit Margin 1958	Net Per Share 1957	Net Per Share 1958	Net Per Share Per Quarter 1958 1st	2nd	3rd	4th
Abbott Laboratories	$ 111.2	$ 116.5	11.4%	11.0%	$3.30	$3.32	$1.16	$ .32	$1.18	$ .67
Addressograph Multigraph	110.0	120.4	7.3	7.9	2.76	3.14	.96	.92	.65	.61
American Chicle	62.2	N.A.	12.9	N.A.	2.81	2.95	.70	.72	.79	.74
American Tobacco	1,098.0	1,103.0	5.2	5.3	8.28	8.55	1.79	2.13	2.29	2.34
Anaconda Co.	570.7	N.A.	7.7	N.A.	4.23	3.15	.57	.43	.80	1.35
Armstrong Cork	246.5	249.8	4.0	5.4	2.10	2.59	.51	.61	.70	.77
Bigelow-Sanford Carpet	74.1	63.2	.4	d2.7	.21	d1.91	d .73	d .91	d .58	.31
Borden Co.	931.2	915.0	2.6	2.6	4.94	5.06	.86	1.45	1.43	1.32
Borg-Warner	608.5	533.0	5.6	4.0	3.81	2.34	—	1.06[1]	.38	.89
Burroughs Corp.	282.7	294.0	3.5	2.1	1.67	1.02	.18	.25	.25	.38
Cincinnati Milling Machine	148.3	N.A.	5.3	N.A.	4.46	1.62	.63[2]	.40[2]	.25[3]	.34[2]
Clark Equipment	143.0	142.5	5.7	4.5	3.57	2.70	.42	.69	.71	.88
Colgate-Palmolive	506.9	534.9	3.9	4.0	7.81	8.27	1.72	1.53	2.52	2.50
Columbia Broadcast System	385.4	411.8	5.7	5.9	2.81	3.10	.83[4]	.76[4]	.51[5]	1.00[2]
Columbian Carbon	70.9	65.6	6.0	6.0	2.64	2.46	.70	.22	.54	1.00
Commercial Solvents	65.9	64.7	2.2	2.2	.53	.52	.13	.14	.12	.13
Continental Baking	307.8	328.0	2.5	2.7	4.62	4.37	.90	1.17	1.23[4]	.99[4]
Continental Oil	608.8	N.A.	7.6	N.A.	2.38	2.41	.55	.48	.67	.72
Du Pont	1,964.0	1,825.0	20.0	N.A.	8.28	7.25	1.51	1.58	1.75	2.41
Eastman Kodak [6]	798.2	828.9	10.2	11.9	5.09	5.13	.77[2]	1.17[2]	1.37[2]	1.83[3]
Electric Auto-Lite	267.3	168.9	3.5	1.7	4.72[7]	1.68[7]	.41	.41	.12	.74
General Electric	4,335.6	4,120.7	5.7	5.8	2.84	2.78	.56	.62	.67	.93
General Motors	10,989.8	9,521.9	7.6	6.6	2.99	2.22	.65	.52	.22	.83
Goodrich (B. F.)	734.6	697.3	5.3	5.0	4.40	3.95	.71	.89	1.01	1.34
Goodyear Tire & Rubber	1,421.8	1,367.5	4.5	4.8	6.12	6.08	1.02	1.55	1.91	1.60
Lehigh Portland Cement	69.9	75.7	12.7	11.3	2.13[8]	2.11[8]	.19	.67	.73	.52
McGraw Edison	256.6	241.6	5.7	4.2	2.83	1.84	.39	.47	.53	.45
Merck & Co.	186.9	206.6	12.3	13.4	2.21	2.64	.63	.72	.68	.61
National Gypsum	141.4	163.0	9.0	9.5	3.16	3.53	.50	.84	1.24	.92
National Lead	535.3	457.6	10.5	9.7	4.64	3.65	.72	.98	.94	1.01
New York Air Braks	45.9	33.0	5.0	3.1	3.19	1.42	.34	d .18	.48	.78
Olin Mathieson Chemical	592.8	601.4	6.1	1.5[9]	2.70	.70[9]	.33	.41	.15	d .19
Penn-Dixie Cement	40.7	47.0	14.6	18.1	2.14	3.07	.01	1.03	1.22	1.04
Polaroid Corp.	48.0	65.2	11.1	11.0	1.44	1.94	.32	.30	.55	.77
Reynolds Metals	446.5	445.5	8.4	8.5	3.28	3.25	.86	.81	.75	.86
Reynolds (R.J.) Tobacco	1,053.3	1,146.5	6.0	6.8	6.15	7.60	1.64	1.81	2.04	2.10
Sinclair Oil	1,251.0	N.A.	6.3	N.A.	5.18	3.23	1.07	.55	.69	.92
Socony Mobil Oil	2,976.1	N.A.	7.4	N.A.	4.63	3.22	.81	.59	1.00	.83
Standard Oil of Indiana	2,029.6	1,885.0	7.4	6.2	4.27	3.29	.88	.59	.95	.87
Sunray Mid-Continent Oil	358.2	322.0[10]	13.4	10.7[10]	2.57	2.00	.56	.45	.45	.54
Texas Gulf Sulphur	66.8	57.0	26.2	23.4	1.75	1.34	.34	.35	.31	.34
Thompson Ramo Wooldridge	412.6	340.6	2.9	2.6	3.90	2.86	.67	.62	.51	1.05
United Fruit	342.3	324.3	9.1	7.0	3.59	2.60	.79	1.15	.31	.31
U. S. Gypsum	249.6	265.7	15.5	15.4	4.78	5.05	.94	1.19	1.56	1.36
Upjohn Co.	128.0	146.1	13.6	13.7	1.23	1.43	N.A.	N.A.	N.A.	N.A.
Western Union Tel.	259.9	255.1	4.9	4.2	2.33	2.01	1.29	.39	.40	.89
Worthington Corp.	191.5	184.2	5.1	4.2	6.35	4.76	1.27	1.24	.97	1.28
Zenith Radio	160.0	195.0	5.1	6.2	8.29	12.30	2.07	.97	3.60	5.66

N.A.—Not available.
d—Deficit.
1—6 months.
2—12 weeks.
3—16 weeks.
4—13 Weeks.
5—14 weeks.
6—Distrib. 4/13/59 of 1 sh. for each share owned 3/9/59.
7—Before non-recurr. income.
8—Not before spec. chgs.
9—After special and non-recurr. chgs.
10—Estimated.

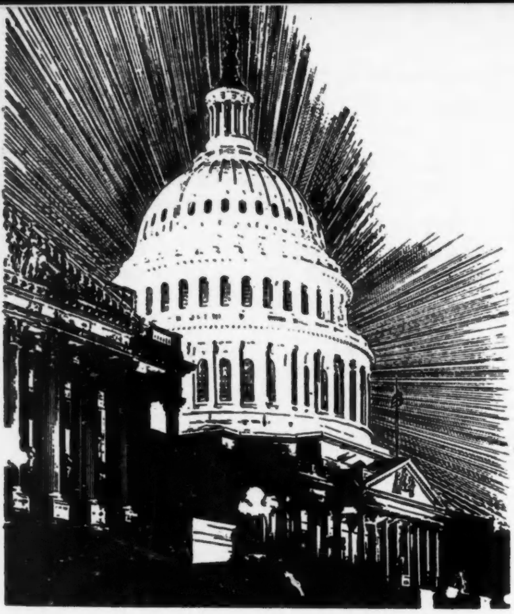
percent for the industry as a whole, but GM's unit sales drop was about 22 percent. Sales fell almost one-and-a-half billion dollars, and earnings dropped 25 percent to $2.22 per share from $2.99 a year earlier, but it is significant that the company operated profitably in every quarter, while Ford was in the black in only two quarters, and Chrysler was on the deficit side until the final three months.

An interesting aspect of GM's 1958 performance is the significant contribution foreign operations made to earnings. Despite the company's reluctance to enter the small car field, GM participated in the growing movement in this country by increasing production at its **Vauxhall** plants in England and the **Opel** plant in West Germany. In all, output of these units rose by 28 percent in 1958. Higher profit margins on each car helped substantially to offset some of the decline in domestic output.

The 1959 outlook is still clouded. Cars are still not selling as well as had been hoped, and all thought of a banner year has been virtually abandoned. Still to be appraised however, is the affect on this year's sales of anticipated buying of smaller cars one year hence. *However, the stock is being consistently weighted down by the threat of massive liquidation, if the government should force Du Pont to sell its holdings in this company.*

The nation's other "major general", **General Electric** pulled through the clouded 1958 and has emerged into a bright sunshine.

Fourth quarter sales declined about 2 percent from 1957, but earnings skyrocketed 25 percent above the previous year, carrying full year net to within 2 percent of 1957's record earnings. For the full year, sales declined 5 percent, but earnings dropped modestly to $2.78 *(Please turn to page 666)*



Inside Washington

By "VERITAS"

PROOF that the democratic leadership in Congress is fully aware that it cannot carry out its spending program within the present tax structure without imposing a crushing debt burden is found in the proposition advanced by House Leader John W. McCormack that the President meet the challenge by asking for new and higher taxes. This is a palpable attempt by the demmies to place the onus on the Administration. President Eisenhower already has demanded of Congress that it raise rates to the extent that it increases appropriations. So an impasse has developed. Each recognizes the need but neither will move first.

WASHINGTON SEES:

Senator John F. Kennedy let the cat out of the two-package labor bill bag by appointing a panel of experts to guide a re-write of the Taft-Hartley Act but announcing in advance of the study that the major reforms he said he would lay over for later consideration are unacceptable.

The Labor Committee Chairman advocates that accounting and parliamentary procedures of unions be corrected now by legislation: reporting, open and regular election of officers, etc. He proposes to postpone to a later date, consideration of steps to stamp out racketeering and offenses against non-participants in labor disputes as well as the general public. To support his promise that both phases would be inquired into this year he named the tripartite panel. Presumably this was to obtain the views of labor, management, and the public on needed T-H Act amendment, or other legislation. And then act.

But when Senator Barry Goldwater sought to substitute the Administration draft which bans blackmail picketing and boycotts, as well as touches the highpoints of the Kennedy Bill, the Chairman blocked it. It is important to note that Kennedy's opposition was not predicated upon his two-package program or on the basis of a pending study which should be completed. He attached on the merits: "They (the Goldwater amendments) would encourage labor racketeering and deny honest unions effective weapons." The verdict is in; next, the testimony!

SOLUTION is to hold government expenses within the range of existing tax income. That prospect already has faded. The democrats have hinted a $1 billion cut may be made in mutual security (foreign aid) funds. Likelihood is that they will make some reduction, but $1 billion less than Ike has asked would require total re-examination of the program, a hazardous thing to begin in the light of current world affairs and the delicate balance of existing relations. But even a billion wouldn't be enough. That goes whether business conditions warrant the sanguine hope for as much as $8 billion more of tax receipts than was taken in last year.

SINCERITY of the McCormack suggestion for Presidentially-indorsed increase in Federal tax will be put to a test before long. The White House has asked for, has computed in its budget, higher levies on gasoline and increased postage rates. The democrats, through their leadership, could furnish testimony to their good intention at this point. The increases will not be forthcoming. The gasoline tax boost is dead and the postage increase will be fought. Although GOPers too will join in the attack, the democratic talk of "solution by taxation" becomes shallow.

POLITICAL maneuverings on Capitol Hill are becoming more devious as each day brings the national election nearer. Senator Lyndon Johnson quotes, accurately, from one set of books to show the democrats reduced Ike's financial requests every year; Senator Everett M. Dirksen quotes from another set to show, truly, that there was substitute spending, not less; Johnson retorts there could be no spending at all without the Eisenhower signature. Truth is the President often had no effective alternative: He signed spending bills or agencies would cease to operate.

As We Go To Press

►President Eisenhower has joined the ranks of those who believe a balanced Federal budget is a fine thing, something to be achieved now if possible, but if not within reach then some time in the future. The immediacy of need for matching income with outgo has been dropped from the category of essential to that of desirable. His currently expressed view is that the estimates should come into balance over a period of time, say, five years or in the course of a business cycle. This does not mean that Ike has abandoned hope for balance in 1960, but he has opened the door, if only slightly, by suggesting that a period of economic slack might safely be reflected in more expense than income. The plain implication of Mr. Eisenhower's new and somewhat unexpected observations is that he links his estimated income figure (which contemplates a business boom) to the spending he proposes, and if the first doesn't materialize the second cannot.

►The hard facts on hard coal have been passed on to the miners by Union Boss John L. Lewis. Until now, Lewis has permitted few words of pessimism to pass his lips and when they did they were sugar-coated with assurance that mine owners would be required to take up the slack. There is unrest in the anthracite section of the United Mine Workers Union. John L. decided to meet it head-on. Growing impatience expressed by the hard coal workers over the failure of the union to bring hospital care such as is provided for soft coal miners and members of their families brought this answer: "The answer is a simple one of economics. The Anthracite Health and Welfare Fund is being financed by payments of 70 cents a ton by the anthracite operators, but because of poor market conditions the income of the Fund simply is not large enough to expand the benefits to make them comparable to the benefits paid by the soft coal fund.

►Statistics furnished by the U. S. Bureau of Mines show that production of anthracite in 1958 was only 21.8 million tons, a decrease of 14 per cent from 1957 production. The answer from the hard coal regions is to the effect that the same source reports production of soft coal also fell in 1958 to about 400 million tons, which is a decrease of 19 per cent under 1957. This has not spurred UMW to promises Lewis knows cannot be fulfilled. Without attempting specifics he assured the union officials "are in hopes that improvements are possible, if revenue and production permit." At Headquarters where daily production reports are maintained, little hope is expressed for beating down the overtaking process of substitute fuels.

►President Eisenhower has stepped beyond the ranks of defeated politicians to select a new chief of the International Cooperation Administration. It wasn't easy to do. The November political debacle flooded the Presidents desk with applications for political appointments, most of them seconded by backers who are high in the GOP or so situated that they can help or hurt Administration moves. John W. Riddleberger, Ike's pick for ICA Administrator is an able career diplomat with an excellent record as Ambassador to Yugoslavia and Greece where he turned in a conscientious, nonpolitical job. His is not a well-known name nationally. That means that the job of embellishing the program to make it more attractive to Congress will fall into other hands but that shouldn't be a great drawback: Many on Capitol Hill say there has been too much Madison Avenue and not enough country banking in the program anyway.

►Administrator Riddleberger takes over at a time when the White House is trying to imprint a new look on financing of friends abroad. The crutch of economic aid has become a resting place rather than an aid in moving along and there is much force behind the Draper Committee recommendation that accent be placed on military aid to NATO countries in particular. This could develop a bi-partisan movement. Senator John F. Kennedy appraised the situation well, if somewhat glibly: "The Development Loan Fund has totally failed to fill the need for

long-term capital—because it has never been given either a long term or very much capital." So far the DLF has had a total of $700 million. Against this it has more than $1.7 billion in partially screened requests for help and another $500 million in applications which meet the test set up for the Fund.

►Further evidence that a two-party approach is possible is found in the circumstance that Senator Kennedy and Senator John Cooper, a republican, are joint sponsors of a resolution for a ground-upward study of India's true needs. The Senators propose that Canada, Great Britain, West Germany, and Japan join with the United States in determining what is needed to put India ahead in the economic race in Asia, now led by China. Short-term financing seems ruled out at the start; the contest cannot be waged successfully by India if held to the year-to-year uncertainties that now prevail. Somewhat nebulous now but seemingly taking form and substance is a proposition that the Development Loan Fund be capitalized at the rate of $1 billion a year for five years. That, it's pointed out by sponsors, amounts to two-tenths of 1 per cent of the gross national product forecast for the period. The President has asked for $225 millions in a supplemental appropriation to be voted this year, and $700 million in a new one-year appropriation. Manifestly the billion-a-year figure would force Ike to participate in cracking the balanced budget front. But it seems shattered beyond repair in any event, in view of Congressional failure to moderate the flow of legislation involving increased expenditures.

►Senator Kenneth B. Keating of New York, proposes to plug the crime loophole through which union bosses are driving truck-size offenses. His legislation could vastly improve the AFL-CIO Labor Bill which Senators Kennedy and Ervin are moving over well-greased legislative tracks to enactment. Keating, a republican who moved from the House to the Senate in last November's election, proposes to place the resources of Federal crime detection and prevention behind a drive to beat back organized criminality in interstate commerce which, he estimates, is plundering the Nation to the extent of $200 billion annually.

The Senator does not agree with Labor Secretary James P. Mitchell that state laws are adequate to cope with the violence, graft and thievery which have been exposed by the McClellan Committee. Without supplementary Federal laws, said the Senator, the public is defenseless against the underworld threat. The offenses involved in conspiracy normally involved activities in more than one state; it is difficult to pinpoint the jurisdiction which has prosecutive power and even harder to encompass in any police action the offenses which were culminated in other states. Federal laws have not been brought abreast of underworld operating methods. With the exception of stolen vehicles, kidnapping, some moral offenses, and transporting stolen property over state lines, there are no federal statutes dealing with organized interstate criminal activities. No Federal murder statute for example.

►Congress is being reversed in contempt prosecutions because it doesn't screen its cases properly and seems not to recognize that not every refusal to cooperate with a Capitol Hill committee is contempt. Prosecutable contempt, that is. Such is the appraisal of veteran Rep. Thomas B. Curtis (R.-Mo.) He will introduce legislation requirng that all contempt citations arising out of House Committee hearings be referred to the Judiciary Committee for study and recommendations before going to the House for finalization or rejection. Unless a change is made, Curtis fears, the investigating powers of Congress will be weakened. This is inevitable, he warns, unless the legislators recognize that they have the right to inquire in legitimate areas, but do not have an unlimited right.

►Court reversals have heartened defiant underworld characters not only to refuse to answer direct questions but also to append speeches belittling Constitutional process. This makes them bigshots with the mob. Especially when the inquiries, which could legally be otherwise phrased, exceed the bounds of proper inquiry. It is the expressed belief of the Missouri Congressman that review by an impartial third party, in this instance the Judiciary Committee, would conduct pre-trial proceedings in an atmosphere not charged with acrimony and debate.

DeGaulle's Operation Bootstrap

By Erik I. Morton

FRANCE, under the new Fifth Republic, is moving towards what could easily be the brightest period in her modern history. For the first time since the postwar liberalization era, France has legitimate hope for a dynamic future. President Charles de Gaulle already is making electrifying progress in unifying all segments of the French nation under his strong presidential regime. Most experts both here and abroad now are convinced that France once again will become a leading industrial power, equal in strength to Britain or West Germany. De Gaulle's ambitious administration has an excellent chance to accomplish this goal, an achievement that 25 postwar cabinets failed to reach. Although General de Gaulle has appointed energetic men to his cabinet for this purpose, there is no doubt whatsoever that de Gaulle is calling the tune. He will continue to make all the major policy decisions, but will leave ample opportunity for his subordinates to implement his viable program.

Rebirth of Optimism

Thus, after 13 years of drifting and despair, the resurgence of optimism in France is a most encouraging sign. The average French citizen now believes his government will solve the key foreign and domestic problems that have plagued France for over a decade. He has invested in de Gaulle more power and authority than was ever awarded to any peacetime executive in the Republic's history. U. S. businessmen in France are stunned by this change in attitude. In return for this "miracle of confidence", here is what de Gaulle has set out to accomplish:

- ►Place France's economic house in order after years of chronic external debt and domestic inflation.
- ►Provide France with a stable form of government after countless embarassing changes in premiers.
- ►Honorably conclude the Algerian strife, which has placed an extremely heavy burden on the French economy.

Inherited Problems

General de Gaulle's buoyant confidence in attaining these objectives is all the more amazing in view

of the huge problems he inherited from the previous regimes. France emerged from World War II as a second rate power, with her far-flung French empire in chaos and under pressure from nationalistic forces. The National Assembly, without strong leadership, tried to rule the country on a delicate balancing of a large number of political factions, and dramatically failed. Furthermore, France never fully recovered from the crushing psychological blow inflicted by Nazi Germany's devastating blitzkrieg in 1940. A tremendous lethargy gripped France and prevented her from pumping new life into a shattered economy.

The French electorate and their politicians were perfectly aware of the awesome problems facing them but feared the necessity of establishing a strong executive branch required to provide the needed spark in leadership. The loss of Indo China, Morocco and Tunisia, plus the forced withdrawal from Egypt after the combined Anglo-French-Israeli attack on the Suez Canal was beginning to achieve success, were humiliating blows to French national pride. In addition, the protracted and expensive struggle in Algeria prevented France from playing a central role in the political and economic development of Western Europe. At the same time, France had to import large amounts of raw materials to keep her inflation-ridden economy from deteriorating past the danger point. The cocky and well organized communist party increased its pressure daily in a calculated effort to topple the Fourth Republic and to force an open test of strength.

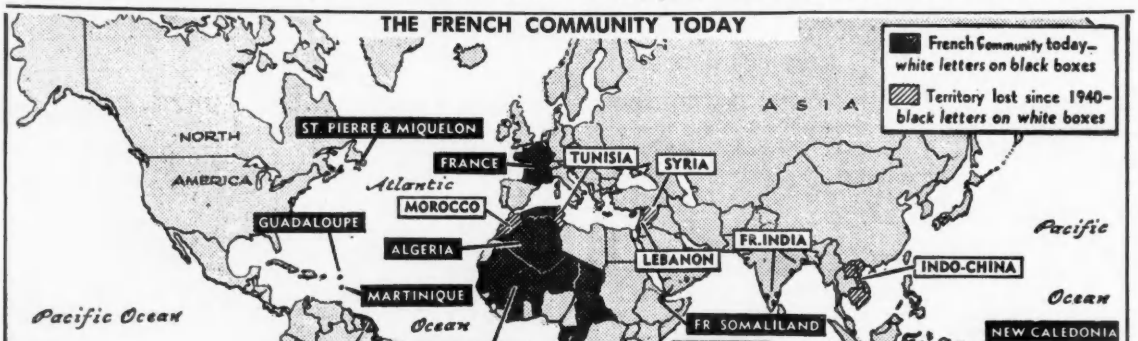
De Gaulle finally was "summoned" out of retirement and obtained a smashing victory over the communists, the only major party which opposed the new constitution. Few observers on the scene actually expected the communists to take such a bad beating. Moreover, the support that de Gaulle received from the non-communist left indicates that no one in the future will be able to claim that the Fifth Republic was imposed on France by the conservative forces.

Domestic Reform

De Gaulle initiated the long-awaited devaluation of the franc along with convertibility moves by Belgium, Britain, Denmark, Holland, Italy, Luxembourg, Norway, Sweden, and West Germany. The franc was devalued by 17.55% in order to permit French exports to compete in the European Common Market on a favorable basis. At the same time, the French Finance Ministry formulated plans to issue a "heavy" franc during 1959 that will be worth 100 times as much as the existing franc and equivalent to about twenty cents ($0.20). This hard currency will also be freely convertible when held by businessmen not residing in France.

In addition, French respect for de Gaulle's leadership is reflected in their response to his call to bring hoarded gold out of hiding. The magic of the President's name is causing Frenchmen to remove gold coins and bullion from mattresses, backyard hiding places and other hidden recesses and to exchange them for government bonds. The government also is granting an amnesty on repatriation of French foreign investment holdings such as foreign investment holdings in the form of stocks and bonds placed in foreign depositories. These holdings now can be turned in without payment of the customary tax and the danger of prosecution. It is estimated that there was over $5 billion in hoarded gold prior to this move, although this figure probably is much closer to $4 billion. Indications are that de Gaulle will be able to recover roughly $1 billion in hoarded gold in the near future. The extreme importance of this development can be seen by the fact that the repatriation of this gold will replenish the nation's dwindling gold and foreign exchange reserves, at a time when France is embarking on a program to shore up her domestic economy and revitalize her exports both in Euromarket and in world markets.

The new budget presented by Minister of Finance M. Pinay calls for substantial increases in corporate taxes from 45.6% to 50% and in the high brackets of the surtax. These taxes now are in effect and are retroactive to January 1, 1959. Proportional rates also were increased on dividend and individual taxes as well as for partnership or businesss profits tax. This is an accomplishment that the weak premiers in the past would not have much luck in achieving,



let alone, proposing this highly necessary move.

Research Stressed

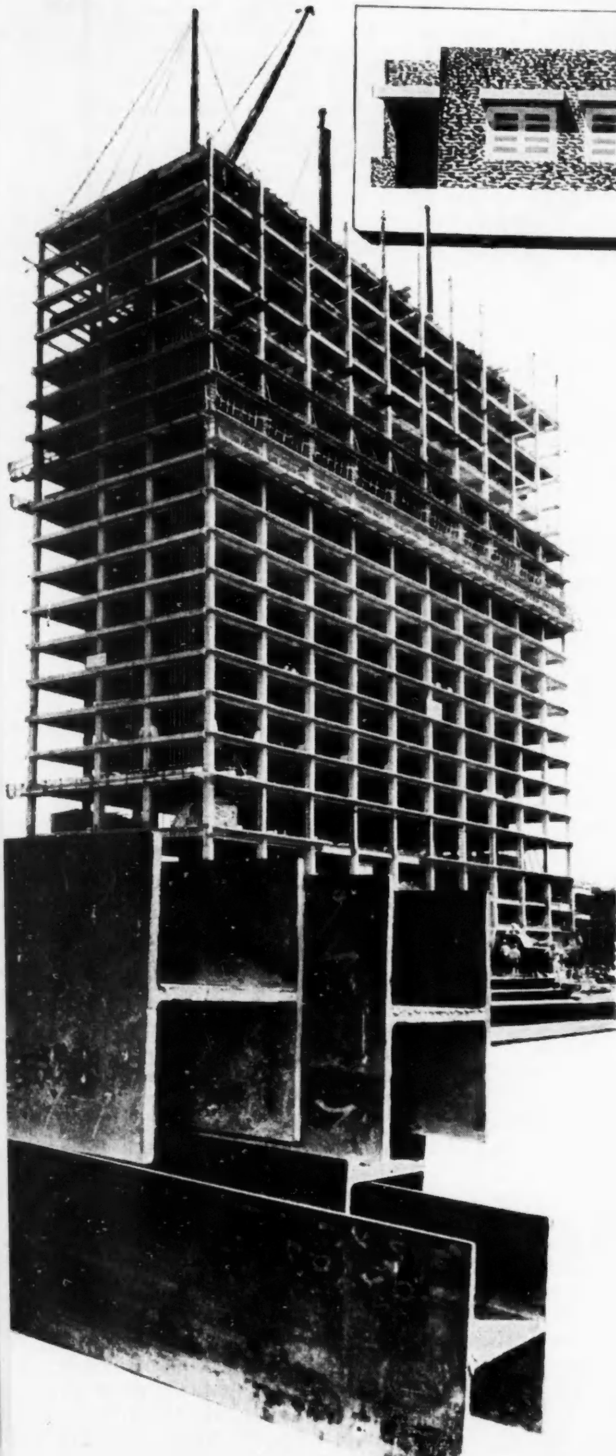
Meanwhile, the de Gaulle government will place heavy stress on new research to spark increased spending on plant and equipment, raise industrial production and exports and provide more jobs for an expanding population. De Gaulle appointed Pierre Piganiol to the new post to head up France's research program, pure and applied, at a cost of $240 million per year. Piganiol was the former research chief for the big French glass manufacturer, Saint Gobain. He will report directly to the prime minister. Leading scientists will act as consultants to this government committee, which includes ministers of education, finance, industry and commerce, agriculture, armed forces and public health. Primary purpose of this program is to place government expenditures in phase with France's overall requirements. Funds will be equitably distributed among fundamental, technical and applied research projects. Piganiol's task will also include supervision to see that the maximum use of the nation's research facilities and technical skills is guaranteed. Furthermore, Piganiol's group has been charged to keep abreast with those research and developments abroad which will prove useful to France. The existing structure of research under the various ministries will not be changed, nor will the government's research facilities be centralized. But they will be integrated to insure optimum efficiency.

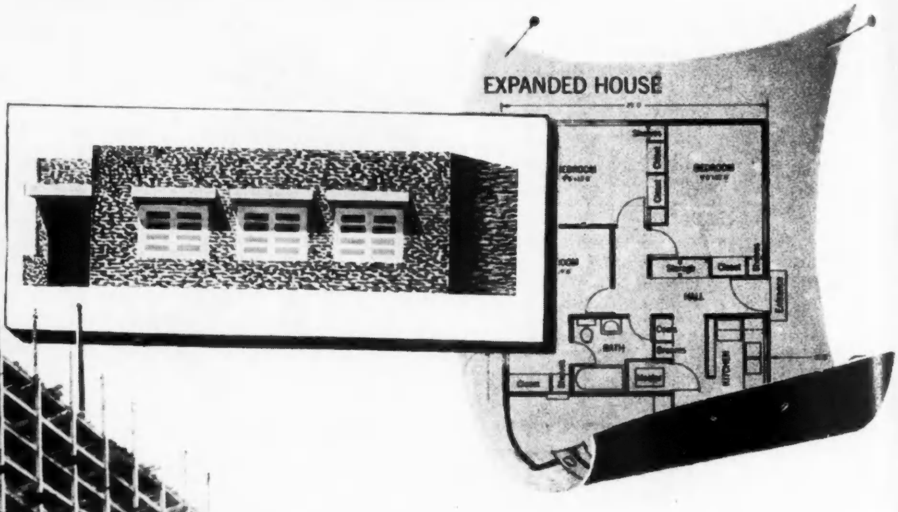
Paris also will proceed with utmost care in setting forth any measures that will curtail France's long-overdue modernization of existing plant and equipment, despite constant pressure on French gold and foreign exchange holdings. Even though impressive strides have been made in this task since 1954, French industry still is faced with the urgent need to modernize in order to compete with rising European production. There is a very strong possibility that France will spend roughly 20% of her national income each year to achieve this important goal. Expanded output of machine tools will be at the top of the priority list. Energy capacity will be enlarged considerably with special emphasis on hydroelectric and nuclear installations. In addition, French aircraft and aluminum concerns will proceed agressively with their modernization plans.

Economic Reform Program

A stiff economic reform is now in progress that will sustain the franc at its new value and shift industry more towards free enterprise. Tax evaders will get short shrift from the de Gaulle government. In general, France is responding enthusiastically to the austerity program, although there is some grumbling against rising prices and fact that guaranteed wage increases are out except for the lower-income brackets. Overall economic outlook for France during 1959 calls for a speeding up of production to recover from the levelling off period in the last quarter of 1958. Actually, that brief slump, according to some observers, was "planned" to break the inflationary forces that were running rampant a year ago.

On December 29, 1958, the French government promulgated a series of decrees liberalizing the import trade that will have significant impact on both France's trading position and the development of her economy within the European Common Market. Implementation of this wide-sweeping program will have an anti-inflationary effect on French economy, bolster public confidence in the national currency and keep France's balance of payments on an even keel. These new trade measures include the freeing from import restrictions of 90% of French imports from Organization for European Economic Cooperation countries, as com- *(Please turn to page 662)*





A New Look at . . .

CONSTRUCTION INDUSTRY

Potentials for 1959

By Frank L. Walters

- **Construction pushed ahead to new highs expressed in dollars — but in physical volume no increase since 1955**
- **Outlook for residential — industrial — public works under legislative prospects . . . which branch of the industry is in the best position**
- **Our original side-by-side breakdown and comparison of 1958 annual reports of the individual companies — and earnings-dividend outlook**

CONSTRUCTION looms as one of the major bulwarks of continued business recovery this year. As the season of increased activity approaches, all indications point to another record for this important segment of the national economy. Value of new construction put in place this year is expected to exceed $52 billion, the fourteenth consecutive year of expanding volume. With an estimated total of between $15 billion and $18 billion in repair and maintenance expenditures, it is estimated that costs of building activity may approach $70 billion in 1959, representing almost 15 per cent of the projected Gross National Product of about $475 billion.

Although residential building is expected to be well maintained this year, unless mortgage funds should become unduly scarce, most of the upsurge in construction is destined to come from public works, roads, public buildings, water and sewerage projects, etc. Work on highway contracts is likely

Statistical Data on Leading Building Supply Companies

	—Earnings Per Share— 1956	1957	1958	—Dividends Per Share— 1956	1957	Current Div. *	Recent Price	Div. Yield	Price Range 1957-58
Alpha Portland Cement	$3.75	$2.90	$2.79	$1.50	$1.50	$1.50	38	3.9%	42¾-27
American-Marietta Co.	2.39	2.23	2.02	.48	.85	1.00	48	2.0	49⅞-26½
American Standard **	1.65	1.05	.85	1.40	1.10	.60	16	3.7	17½-11¼
American Seating	2.77	2.65	3.00[6]	1.50	1.50	1.90	39	4.8	39¾-22¼
Armstrong Cork	2.56	2.10	2.59	1.50	1.30	1.40	40	3.5	40⅜-22⅞
Bestwall Gypsum Co.	5.22	4.17	5.58	—	[1]	[1]	88	—	88 -33⅝
Carey (Philip) Mfg. Co.	3.01	3.08	2.39	1.60	1.60	1.60	47	3.4	52½-24
Carrier Corp.	5.26	3.17	3.27	2.40	2.40	1.60	46	3.4	48½-32⅝
Celotex	6.43	3.53	2.79	2.40	2.40	2.00	43	4.6	43¾-26⅜
Certain-teed Products	1.13	1.12	.85[6]	1.25[2]	.70	[3]	14	—	15⅞- 8¾
Congoleum-Nairn	.59	[d] .58	—	1.20	.40	—	13	—	15⅜- 7½
Crane Co.	4.40	3.47	.75[6]	2.00	2.00	.80	41	1.9	43¼-24⅛
Flintkote	3.88	3.89	2.96	2.40[4]	2.40[4]	2.40[5]	57	4.2	61¼-37½
General Portland Cement	4.58	3.36	4.25	2.25	2.30	2.30	86	2.7	87¾-48½
Holland Furnace	.56	.71	1.25[6]	.90	.60	.60	14	4.2	15 - 9⅝
Johns-Manville	3.50	2.48	2.82	2.25	2.00	2.00	56	3.5	58¼-34¼
Lehigh Portland Cement	2.82	1.70	1.65	1.00	1.00	1.00	35	2.8	39½-28
Lone Star Cement	2.60	2.03	1.80[6]	1.00	1.10	1.20	35	3.4	38⅜-28¼
Marquette Cement	2.74	2.71	3.26	1.30	1.40	1.60	54	2.9	59¾-25⅝
Masonite	4.98	3.50	2.93	1.70[4]	1.20[4]	1.20[4]	44	2.7	45 -25½
National Gypsum	3.61	3.16	3.53	1.70[4]	2.00[4]	2.00[4]	63	3.1	65 -42
Otis Elevator	3.10	3.58	3.85[6]	2.00	2.00	2.40	67	3.5	75¼-40¼
Penn-Dixie Cement	3.73	2.14	3.07	1.20[4]	1.20	1.40	37	3.7	39½-23⅛
Pittsburgh Plate Glass	5.62	5.86	3.30[6]	2.75	2.75	2.20	76	2.9	84½-67½
Pratt & Lambert	6.07	5.24	4.90[6]	3.25	3.25	3.25	75	4.3	83 -48
Ruberoid	2.90	3.25	2.86	2.00	2.10	2.00	45	4.4	45 -30½
Sherwin-Williams Co.	10.49	11.38	11.48	4.75	5.12%	5.50	210	2.6	250 -130
Trane	2.90	2.93	3.00[6]	.72	.90	.90	68	1.3	70 -42
U. S. Gypsum Co.	5.01	4.78	5.05	2.50	2.75	2.85	105	2.7	112½-65½
U. S. Plywood	4.60	3.24	2.47	2.20	2.00	1.50	54	2.8	55⅜-26⅜
Yale & Towne	2.79	2.11	1.75[6]	1.28	1.50	1.50	31	4.8	33⅜-23¾

*—Based on latest div. rate.
**—Amer. Radiator & S. S. Co.
[d]—Deficit.

[1]—Paid 3% in stock.
[2]—Plus ⅓ sh. Bestwall Gypsum.
[3]—⅙ sh. of Valspar Corp. payable in lieu of cash divds. for 1st 3 quarters of 1959.

[4]—Plus stock.
[5]—Stockholders vote March 25 on 3 for 2 split.
[6]—Estimated.

Alpha Portland Cement: With benefit of enlarged facilities and increased demand for cement in public works projects, indications point to recovery in earnings this year. **A1**

American-Marietta: Prospect of closer control of costs and increased sales holds promise of more satisfactory showing this year. **B1**

American-Standard: Stronger trend in home modernization as well as in residential construction points to better volume this year. **B1**

American Seating: Need for greatly increased school facilities affords bright prospect for leading supplier of public seating equipment. **B1**

Armstrong Cork: Price advances on carpeting have worked in favor of hard surface floor coverings, which should continue in good demand this year. Further earnings gain seen. **A1**

Bestwall Gypsum: Benefits of enlarged construction program, contributing to production economies and increased output, expected to find reflection in higher earnings in 1959. **B1**

Carey (Philip) Mfg. Co.: New asbestos property expected to contribute more importantly to sales and earnings this year. Firmer prices for asphalt and asbestos products should aid in earnings recovery. **B1**

Carrier Corp. Moderate improvement in earnings anticipated this year from manufacturing economies. Sales trend improving. **B1**

Celotex Corp. Good recovery staged in first quarter points to improved earnings over last year's $2.79 a share. **B1**

Certain-Teed Products: Boost in prices on asphalt products expected to help sustain margins in spite of rising manufacturing costs. **C2**

Congoleum: Benefits of revamping of facilities and introduction of new lines expected to show up in more satisfactory financial results this year. Stock is highly speculative. **C1**

Crane Co.: Reversal in earnings decline anticipated this year in reflecting benefits of price increases on basic products and economies achieved in revamping operations. Attempts at diversification hold promise. **B1**

Flintkote: Continued expansion and diversification expected to yield larger volume this year. Moderate earnings gains indicated for 1959 hold out hope for higher dividend. **B1**

General Portland Cement: Better-than-average industrial expansion projected for areas in South served by this leading cement producer point to likelihood of earnings gains. **A1**

Holland Furnace: More aggressive sales policies and benefits of diversification through new subsidiaries may contribute to greater progress in earnings recovery than experienceed last year. **C1**

Johns-Manville: Prospects regarded as promising for long range expansion in market for asbestos products, but extra expenses arising from integration of L-O-F Glass Fibres acquisition may hold down earnings results this year. **A2**

Lehigh Portland Cement: Although company's plants are well situated to compete for volume in highway construction program, excess capacity tends to hold down margins. **A2**

Lone Star Cement: One of the major representatives of its industry, operating in Latin American as well as in U. S., is expected to come up with slightly increased volume and net profit this year despite keen competition. **A2**

Marquette Cement: Further expansion in mid-western territory, should enable this company to make headway in earnings. **B1**

Masonite Corp.: Leading producer of hardboard derives more than half of volume from industries other than building. Costs of starting up a new plant, along with heavy depreciation, may retard earnings improvement this year. **B2**

National Gypsum: Moderate improvement in sales and earnings indicated for this year, reflect in part acquisition of American Encaustic Tiling and expansion program. **A1**

Otis Elevator: Some easing in high level of office building construction expected this year. However, market for elevators and escalators will remain sizable. Optimism over 1959 earnings prospects reflected in boost in dividend to $2.40 rate. **A1**

Penn-Dixie Cement: Prospective rise in highway projects expected to stimulate sales and lift earnings this year. **B1**

Pittsburgh Plate Glass: Upturn in automotive output and high level of residential building expected to bolster glass sales, but protracted strike which hampered results late in 1958 and early 1959 may hold down earnings. **A2**

Pratt & Lambert: Effective control over costs helped sustain profits in 1958 sales decline, indicating that anticipated recovery in volume this year may contribute to earnings rebound. **B2**

Ruberoid Co.: Better margins anticipated on roofing products this year, suggesting rebound in net profit. **B1**

Sherwin-Williams: Strong competitive position of industry leader augurs well for increased volume in expanding market. Further modest gain in earnings indicated. Prospect of action on stock split believed favorable. **A1**

Trane: Aggressive sales promotion and development of new products should stimulate record sales and increased earnings this year. **B1**

U. S. Gypsum: Vigorous merchandising policies, indicated low-cost production and strong raw materials position account for promising growth outlook. Further earnings progress indicated this year. **A1**

U. S. Plywood: Sharp recovery in plywood sales, accompanied by series of price increases, expected to boost earnings for April fiscal year and encourage restoration of $2 dividend rate. **B1**

Yale & Towne: Because of increasing emphasis on trucks for materials-handling, operations are little affected by construction activity. Hardware sales should contribute plus factor this year. Dividend of $1.50 seems secure. **B1**

Ratings: A—Best grade. B—Good grade. C—Speculative. D—Unattractive.
1—Improved earnings trend. 2—Sustained earnings trend. 3—Lower earnings trend.

Comprehensive Statistics Comparing the Position of Representative Building Supply Companies

Figures are in millions of dollars except where otherwise stated.	Alpha Portland Current	American Marietta	Armstrong Cork	Carrier Corp.	Celotex Corp.	Flintkote Co.	Johns-Manville	Lehigh Portland Cement	U. S. Gypsum
CAPITALIZATION:									
Long Term Debt (Stated Value)	$ 17.0	$ 43.7	—	$ 58.2	$ 21.4	$ 12.5	$ 3.0	$ 30.0	—
Preferred Stock (Stated Value)	—	$ 22.2	$ 16.6	$ 18.8	$ 5.1	$ 26.9	—	—	$ 7.8
No. of Common Shares Out. (000)	1,760	10,728[1]	5,016	2,041	1,028	2,155	8,283	4,187	7,999
Capitalization	$ 34.7	$ 43.6	$ 21.6	$ 97.4	$ 27.5	$ 76.2	$118.4	$ 97.4	$ 39.8
Total Surplus	$ 24.6	$ 108.2	$127.1	$ 82.3	$ 43.0	$ 36.0	$122.3	$ 34.1	$223.1
INCOME ACCOUNT: Year Ended	12/31/58	11/30/58	12/31/58	10/31/58	10/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Net Sales	$ 33.2	$ 251.4	$249.8	$252.5	$ 67.7	$156.1	$331.7	$ 75.7	$265.7
Depreciation, Depletion, Amort., etc.	$ 2.7	$ 8.3	$ 9.6	$ 6.5	$ 2.6	$ 5.6	$ 15.7	$ 11.6	$ 8.0
Income Taxes	$ 2.1	$ 16.5	$ 14.4	$ 8.2	$ 3.0	$ 5.6	$ 16.8	$ 3.1	$ 38.5
Interest Charges, etc.	$ .8	$ 1.1	—	$ 2.3	$ .9	$ .8	—	$ 1.7	—
Balance for Common	$ 4.9	$ 16.4	$ 13.0	$ 6.6	$ 2.8	$ 6.9	$ 23.3	$ 6.9	$ 40.9
Operating Margin	23.2%	14.7%	11.0%	6.9%	9.2%	9.7%	12.1%	17.6%	28.6%
Net Profit Margin	14.7%	6.9%	5.4%	3.0%	4.5%	4.8%	7.0%[2]	9.1%	15.4%
% Earned on Invested Capital	11.6%	11.5%	9.1%	6.2%	6.3%	7.5%	9.8%[2]	6.8%	15.5%
Earned Per Common Share	2.79	$ 2.02	$ 2.59	$ 3.27	$ 2.79	$ 2.96	$ 2.82	$ 1.65[2]	$ 5.05
BALANCE SHEET: Fiscal Year Ended	12/31/58	11/30/58	12/31/58	10/31/58	10/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Cash and Marketable Securities	$ 8.9	$ 21.4	$ 14.1	$ 35.9	$ 11.5	$ 8.2	$ 47.3	$ 4.3	$ 91.8
Inventories, Net	$ 5.6	$ 43.8	$ 17.3	$ 57.6	$ 6.7	$ 21.2	$ 39.3	$ 14.9	$ 21.9
Receivables, Net	$ 1.5	$ 35.2	$ 1.2	$ 51.1	$ 10.3	$ 17.7	$ 46.7	$ 2.8	$ 31.5
Current Assets	$ 16.2	$ 101.6	$ 20.6	$144.7	$ 28.5	$ 47.2	$133.3	$ 23.0	$145.3
Current Liabilities	$ 3.0	$ 30.6	$ 3.2	$ 40.2	2 6.6	$ 14.4	$ 52.1	$ 7.8	$ 37.5
Working Capital	$ 13.2	$ 71.0	$ 17.4	$104.5	$ 21.9	$ 32.8	$ 81.2	$ 16.2	$107.8
Fixed Assets, Net	$ 45.3	$ 107.4	$ 2.4	$ 64.2	$ 47.5	$ 72.1	$157.6	$112.3	$148.8
Totals Assets	$ 62.3	$ 226.2	$ 23.7	$222.2	$ 78.1	$127.1	$302.1	$145.4	$300.4
Cash Assets Per Common Share	$ 5.07	$ 2.00	$ 2.82	$ 17.58	$ 11.20	$ 3.80	$ 5.71	$ 1.03	$ 11.48
Current Ratio (C. A. to C. L.)	5.4	3.3	6.4	3.6	4.3	3.2	2.5	2.9	3.8
Inventories as Percent of Sales	17.0%	17.4%	13.5%	22.8%	9.9%	13.6%	11.8%	19.7%	8.2%
Inventories as % of Current Assets	35.0%	43.1%	47.3%	40.0%	26.6%	45.0%	30.0%	65.0%	15.0%

1—Includes 8,148,776 com. shares and 2,580,533 class "B" com. shares.

2—After special charges.

to gain momentum and reach a record high this year. Government statistics disclose a steadily mounting total of payments to states for road improvements. Delays over engineering details and acquisition of land for new highways have deferred numerous programs longer than had been anticipated.

The fact that a high level of construction prevailed, in spite of the business recession and a downtrend in family formations in the last few years, is due of course to the liberality of government appropriations and loans.

With population statistics indicating that new family formations are likely to rise sharply in the early 1960's as young persons born in the war years—when births rose sharply—reach marriageable age, the auguries are good for home building in the future.

Demand for new housing in the next five or six years is expected to reach a high of 1.5 million units annually. In addition, families requiring larger homes than they now have are expected to become more numerous. This fact in itself assures a high rate of residential construction and home remodeling.

The Months Ahead

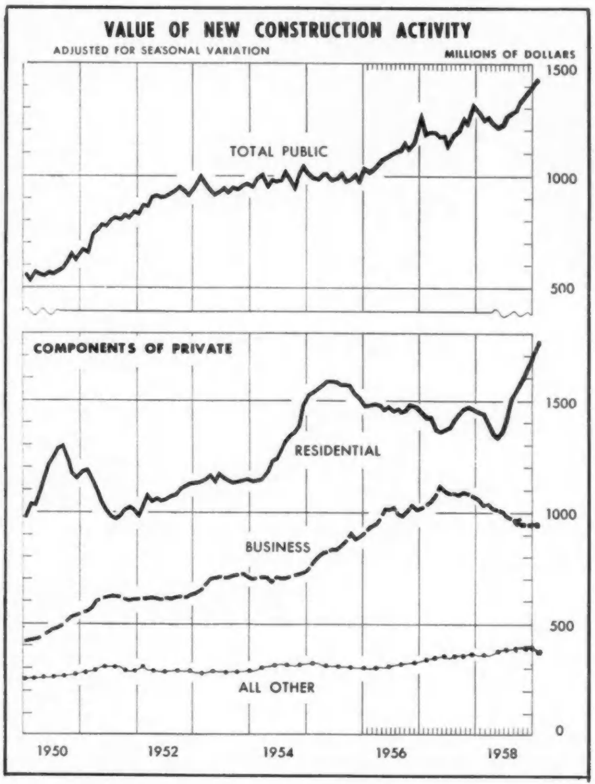
In examining prospects for the coming months it is well to consider basic facts such as economic conditions, employment, personal income, interest rates, government policies, construction costs, etc., as well as authoritative surveys of contract awards and work placed. The annual projection by the Departments of Labor and Commerce anticipates a 7 per cent rise in expenditures for work put in place. The F. W. Dodge Corporation, basing estimates on contract awards, foresees an uptrend of 3 per cent in 1959, but observes that exceptionally large contract awards announced late in 1958 would not be completed until this year.

The business recovery had made such progress in the first two months of this year that sights are being raised on *industrial construction*. The National Steel Company recently announced, for example, its intention of constructing a new $300 million plant adjacent to the big Chicago market in northern Indiana. In addition, other steel makers are completing large improvements this year. Among these is Kaiser Steel, which announced a project costing $214 million. Kennecott Copper disclosed plans for a

sharp rise in expansion this year costing about $90 million. If these plans are implemented into action, and the trend toward new capital spending continues, it would give impetus to construction, since little recovery had been anticipated in the industrial category.

On the other hand, *office building* and *warehouse construction*, which went to record highs of almost $2 billion in 1958, is expected to drop off about 4% in 1959, due to completion of the major office building projects started in New York City during the past few years.

Although housing activity dipped slightly in January, based on reported non-farm residential starts, construction expenditures registered a strong start for the year. Work put in place in the first month of the year reached $3.7 billion, according to a compilation by the Departments of Labor and Commerce. This compared with $3.3 billion a year earlier. Increases on residential projects more than offset declines recorded for industrial programs and office buildings. The housing category showed a moderate setback as compared with December, however, with new starts at an estimated annual rate of 1,350,000, against 1,430,000 for December, an unusually high figure for the final month of the year. Government officials indicated, however, that the slight downturn might prove temporary.



With applications for Federal Housing Administration mortgage insurance on new homes again in an upward trend, after a lull in the latter part of 1958, it would seem reasonable to expect a recovery in the rate of housing starts, since applications for insurance serve as an indicator of subsequent building activity. Applications for mortgages on new homes as well as on existing dwellings have shown an uptrend since the December drop.

Personal income registered a record high on a seasonally adjusted basis for January. The figure was reported by the Commerce Department at $362.3 billion on an annual basis, or well above the $348.8 billion annually set in January, 1958. Government projections for the full year used by President Eisenhower in his budget message indicated personal income would climb to an all-time high at $374 billion. Evidently a continuous rise in salaries and wages is envisioned for gainfully employed individuals.

Costs Upgrade Dollar Values of Contracts

Costs represent an important consideration in judging housing estimates. While interest rates and taxes largely determine the amount of carrying charges a home buyer must provide at regular intervals, the down payment which is calculated in part by the estimated total cost of a structure, is the actual determinant of an individual's purchasing ability. It probably is true that costs have risen faster in construction than in most major industries. Wages in construction have been advancing vigorously each year, reflecting an acute shortage of skilled workmen, and accelerated union demands.

An indication of the problem being encountered in this area may be gained from figures showing that construction costs in housing have risen 90 per cent since the war and in general construction 152 per cent, while building materials at the wholesale level have advanced 115 per cent. Wages of skilled building workers have climbed 126 per cent since the war, judged by national averages, while common labor has increased its pay an average of 173 per cent. *Statistics such as these help explain the fact that construction has pushed ahead to new highs expressed in dollars, but in physical volume there has been no increase since 1955.* Thus only a modest gain in actual volume may be achieved this year, it is estimated.

The Government in Support of Construction

Any discussion of construction, whether it be limited to housing or whether all aspects of the subject be considered, must take into account Government policies and regulations.

Federal funds have sparked the vast highway program that promises to gain momentum in the next few years, while varied kinds of aid have contributed to the unexpected high level of home building in the last decade when family formations were declining.

Government assistance in mass housing projects designed to eliminate slums has helped relieve housing shortages in metropolitan areas.

Veterans' Administration financial aid has made possible home ownership for many a former G.I. who otherwise might not have been able to finance the required down payment.

Treasury Department *(Please turn to page 668)*

Varying Earnings Trends for FOOD PROCESSORS and MERCHANDISERS

► Where stability or decline is likely
► Problems of competition — over-capacity — Anti-Trust Attack

By J. C. Clifford

REFLECTING our new high level consumer spending economy, the food processing and merchandising companies have turned in a gratifying performance in the last twelve months. Highly regarded at this time last year because of their recession-resistant characteristics, they have handsomely lived up to the hopes held for them.

An estimate based on figures collected by the Grocery Manufacturers Association places 1958 earnings of food processors as a group, about 2% above the previous year, while composite figures for grocery chains for the first nine months of the year, suggest that profits in this field of retailing were up about 8% over 1958. These results compare with a drop of about 16% in 1958 net income of 510 industrial corporations (for which composite figures have so far been tabulated) due to the industrial recession.

Thus, the stocks of food processors and food merchandisers have done better than the market as a whole in the last twelve months. The index of food stocks has advanced about 36% in the interval, and index of grocery chain stocks, 35%, compared with a rise of only 32% for a composite index of 425 industrial stocks.

Food producers and distributors of course had the advantage of stability of demand, even during the early months of last year when conditions in general business were adverse. Most processing companies enjoyed an additional benefit in the form of low raw material prices, many of which still prevail. Food retailers continued to benefit from volume expanded through acquisitions, larger and more efficient stores, and addition of non-food lines with wider profit margins.

The prospect is for further gains by food proces-

Vital Statistics on Food Processors

	1957				1958						
	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Div. Per Share	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Current Div. *	Recent Price	Price Range 1958-59	Ratings
Allied Mills	$92.5[1]	2.6%	$3.06[1]	$2.00	$97.9[1]	3.1%	$3.86[1]	$2.25	44	44⅞-27	B1
Beatrice Foods	269.1[2]	1.6	1.98[2]	1.71	278.6[2]	1.6	2.04[2]	1.80	47	48¾-33½	B1
Beech-Nut Life Savers	N.A.	N.A.	1.74[2]	1.50	N.A.	N.A.	1.72[2]	1.60	42	44 -28½	A1
Borden Co.	694.8[2]	2.6	3.83[2]	2.80	680.9[2]	2.6	3.74[2]	2.80	75	78 -60¾	A1
California Packing	155.5[3]	3.9	2.60[3]	2.20[9]	165.9[3]	2.6	1.77[3]	2.20[9]	56	57 -39¼	B1
Campbell Soup	440.8[4]	6.8	2.80[4]	1.50	501.3[4]	6.2	2.95[4]	1.60	52	55½-35½	A1
Consolidated Foods	163.4[5]	1.2	.77[5]	1.00	155.8[5]	1.4	.80[5]	1.00[9]	26	26½-14¼	C1
Corn Products Co.	250.5[2]	5.5	1.51	1.50	262.8	6.5	1.90	1.80	53	58 -33⅛	A1
Foremost Dairies	310.2[2]	2.3	.97	1.00[9]	312.6[2]	2.3	.99	1.00	21	22 -15	B1
General Foods	730.2[2]	4.7	2.85[2]	1.95	762.7[2]	4.8	3.03[2]	2.40	80	81½-48	A1
General Mills	265.0[6]	2.4	2.59[6]	3.00	274.2[6]	2.7	3.14[6]	3.00	96	98 -60¼	B1
Gerber Products	86.1[2]	6.3	2.56[2]	1.80	93.6[2]	5.9	2.61[2]	1.80	65	66¾-44½	A1
Heinz (H. J.)	147.4[7]	3.6	3.13[7]	2.20	156.8[7]	3.3	3.04[7]	2.20	67	71½-43¾	A1
Libby McNeill & Libby	138.4[3]	.2	.004[3]	.70	140.9[3]	1.7	.54[3]	.40	13	13¾- 7⅜	C1
National Biscuit	424.5	5.2	3.18	2.20	413.3	5.3	3.18	2.20	55	55 -41⅞	A1
National Dairy Products	1,074.6[2]	3.1	2.44[2]	1.80	1,090.5	3.0	2.42[2]	1.80	48	51 -37¾	A1
Penick & Ford	N.A.	N.A.	2.13	1.65	N.A.	N.A.	2.41	2.00	52	52¾-30⅛	A1
Pillsbury Company	170.2[6]	1.4	2.57[6]	2.50	176,3[6]	2.3	3.85[6]	2.50	81	88 -42½	B1
Quaker Oats	302.6[1]	4.0	3.30[1]	1.80[9]	314.5[1]	4.1	3.22[1]	2.00	51	54½-37¼	A3
Standard Brands	513.8	2.7	4.01	2.25	519.7	2.8	4.26	2.60	68	69⅛-40⅛	A1
Stokely-Van Camp	70.4[6]	1.1	.31[6]	.90[9]	71.6[6]	3.0	1.10[6]	.60[9]	17	18½-10⅜	B1
Sunshine Biscuits	183.7	4.2	6.71	4.00	189.3	4.3	6.89	4.40	106	106½-72	A1
United Biscuit	105.5[2]	2.8	2.79[2]	1.50	101.9[2]	1.3	1.16[2]	1.20	29	37 -27⅛	B3
United Fruit	N.A.	N.A.	2.90[2]	3.00	N.A.	N.A.	2.25[2]	2.00	43	50⅞-34⅞	B3
Wesson Oil & Snowdrift	172.4[8]	1.5	1.76[8]	1.40	163.5[8]	1.7	1.94[8]	1.40	34	35¾-23	B2

*—Based on latest dividend rate.
NA—Not Available.

[1]—Years ended June 30.
[2]—9 months.
[3]—6 months.
[4]—Year ended July 31.
[5]—24 weeks ended Dec. 31.
[6]—6 months ended Nov. 30.
[7]—6 months ended Oct. 31.
[8]—Year ended August 31.
[9]—Plus stock.

Ratings: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

[1]—Improved earnings record.
[2]—Sustained earnings record.
[3]—Lower earnings record.

Allied Mills: Added facilities and favorable trade conditions point to another profits gain in fiscal 1959 for leading manufacturer of livestock and poultry feeds. Extra dividend likely to be voted again this year.

Beatrice Foods: Active diversification program of fourth largest dairy products concern probably resulted in sixth consecutive earnings increase in fiscal year ended last month. Finances strong, but management seems satisfied with present dividend rate.

Beech-Nut Life Savers: Integration of candy drop, chewing gum, coffee, and baby food businesses, and end of West Coast price war in baby foods, may have brought 1958 earnings to highest level in a decade. Further progress possible.

The Borden Company: Elimination of some unprofitable operations by second largest dairy company held down sales last year, but earnings increased. Management expects new records in both volume and profits in 1959. Need of funds for expansion may delay dividend increase.

California Packing: Strengthening of statistical position of industry enabled largest canner to improve 1958 earnings and provides good basis for 1959 gains. Dividend payments have increased in each of last four years, and will again in 1959.

Campbell Soup: Recession resistance displayed by largest canner of soups and kindred products with an earnings gain in fiscal 1958. New plant and new products (three new soups, new frozen products) should lift earnings in current fiscal year. Now expanding in other countries. Dorrance estate owns more than 80% of stock.

Consolidated Foods: Most integrated food manufacturer, wholesaler, and retailer, result of rapid expansion by acquisitions in last ten years, has augmented operating earnings by capital gains in each of last six fiscal years, especially in fiscal 1958. Chairman owns almost 13% of stock; Union Sugar Co. about 11%.

Corn Products: Position of world's largest producer of syrups, starches, and oils from corn has been strengthened and its business diversified by recent acquisition of Best Foods. Enjoying wider-than-usual margins as result of low corn prices.

Foremost Dairies: Federal Trade Commission suit charging violations of Clayton Act still clouds future of third largest producer of fresh dairy products. Earnings recovering slowly from 1957 dip. Directors own about 13% of stock. Dividend looks safe.

General Foods: Active research and promotion by largest packaged foods company produced record sales in 1958 for the eighth consecutive year, and record earnings for the fourth consecutive year. Dividends increased for the sixth consecutive year. These trends may well continue through 1959.

General Mills: The nation's largest flour miller is currently benefiting from low raw material prices and its program of diversification, and is in a position to lift the $3.00 a share annual dividend paid for the last three years.

Gerber Products: Upward trend of profits of largest producer of baby foods, interrupted in fiscal 1957 by price war in West Coast markets, has been resumed. Officers and directors own about 30% of stock.

Heinz (H. J.): With more than 80% of profits provided by subsidiaries in other countries, particularly Canada, England, and Australia, this leading food processor and packer is now expanding operations in Continental Europe, believed to hold good potentialities. Heinz family owns a majority of common stock.

Libby, McNeill & Libby: After declining during last two fiscal years, earnings of this major food canner, subject to wide swings in the past, are currently on the upgrade and may warrant an increase in the dividend, although the Company plans capital expenditures totaling $50 million in next five years.

National Biscuit: Efficiencies and economies of recently-opened large plant of largest baker of biscuits, cookies and crackers are counted on to add growth to the stability which has characterized company's postwar earnings record. A dividend increase is overdue.

National Dairy Prod.: Largest dairy foods company continues to make steady, though unspectacular gains in earnings by improvement and expansion of facilities. Dividend boost a possibility if profits climb as expected this year.

The Pillsbury Co.: Nine million will be spent this year, eight of them for modernization, by second largest flour miller and largest maker of prepared food mixes. Profits up sharply because of low raw material prices. Dividend increase indicated.

Quaker Oats: Despite diversification into animal and poultry foods in recent years, leading manufacturer of hot cereals still affected by trend toward ready-to-eat cereals. Intensified advertising campaign and new plant may keep annual earnings trending upward, but recent results have been disappointing.

Standards Brands: Unsettled conditions in coffee market did not prevent 1958 earnings of second largest producer of packaged foods from reaching a postwar high. Dividends raised twice last year; may be again in 1959.

Stokely-Van Camp: Stronger prices for canned goods, now that stocks are no longer burdensome, are permitting earnings recovery for third largest canner of fruits and vegetables. Higher dividend possible. Directors, principally chairman, own about 20% of stock.

Sunshine Biscuits: Diversification of second largest cracker, cookie, and biscuit baker into potato chips and snack foods proceeds at leisurely pace as does earnings growth. Company is distinguished for conservatism in finances and most other respects.

United Biscuit: Only important baker of crackers, cookies, and biscuits to suffer an earnings decline last year sufficient to lead to reduced dividend rate. Sharp profits recovery possible in 1959, but dividend restoration may be delayed.

United Fruit: Bad weather in producing areas blamed by world's largest banana grower for 1958 earnings the lowest since World War II. Management predicts, however, that this year's shipments will establish a postwar record. Little progress made so far in exploring for oil on concessions in Panama.

Wesson Oil & Snowdrift: Performance of largest cottonseed oil producer in fiscal 1958 was unimpressive, with only modest improvement in current fiscal year to date. Trade conditions still difficult. Hunt Foods owns about 28% of stock.

sors and food retailers in the year ahead. The business climate is improved, personal income is increasing, inventory liquidation has been completed, and the attitude of consumers and business men is hopeful once more.

Food Before Cars

Consumers continue to spend a large 25% of their income for foods, a proportion made possible in part by smaller expenditures on automobiles, appliances, and the like — what are usually referred to as "hard goods."

Nutritional information becomes ever more widespread, leading to a desire for a variety of food, evidenced by the increasing attention being given by both manufacturers and retailers to unusual foods. General Foods, for example, now has a separate division for what it calls Gourmet Foods, and *The Progressive Grocer*, trade magazine of food retailing, has added a department dealing with specialty foods.

Most important of all, consumers continue to accept and use increasingly the "convenience foods" that incorporate much of the work which the housewife or the family cook used to perform in the kitchen. Recent innovations of this type include packaging foods in plastic or aluminum containers which serve as cooking utensils; the use of edible wrappers made from corn fibre; the inclusion of the ingredients for icings with prepared cake mixes.

Whatever extra service is thus included in the food sold must, of course, be included also in the price and in the profit based on the price. So long as the trend toward convenience foods continues, it tends to boost dollar sales and earnings of all concerned in the food business. There are few if any signs which suggest that consumers are beginning to prefer price savings to added convenience; instead, the evidence is to the contrary (possibly because of so many working wives).

While the outlook is for increasing sales in the food industry, all branches of the trade continue to be characterized by keen competition. Large manufacturers compete not only with each other and with smaller manufacturers, but also with distributors who make some of the products they retail.

Increasing Competition

The past year has seen a notable intensification of the competition between private brands and nationally advertised brands of foods. Some of the private brands are made by smaller manufacturers; some are made by the distributors themselves; but a goodly proportion are made by companies which have their own nationally advertised brands, but who take on at times the production of foods to be sold under private brands, as a means of keeping facilities fully occupied. Such private brand business, however, almost invariably carries much narrower margins. *In general, then, any gain in the field of private brands has an adverse effect on the profits of established producers of nationally advertised brands such as most of the companies covered in this review.*

Variety of Influences Affecting Individual Companies

In addition to the foregoing considerations bearing on the position and prospects of the food processors, there are a number of influences affecting particular types of companies. The food business is heterogeneous. It really consists of a number of industries, each of which has problems peculiar to itself.

Only one of the companies covered by this survey, for instance, is *primarily* a producer of formula feeds for livestock and poultry. We refer to **Allied Mills,** demand for whose products tends to vary with conditions in the fields supplied. Poultry growers, for example, can upon occasion mix their own feeds.

The main business of two other food processing companies, **Corn Products** and **Penick & Ford,** is chiefly corn refining, in which the most important factor in the last year or so, has been the low price of corn brought about by abundant supplies, the reduction of support prices, and the move to discontinue acreage allotments for corn. Low corn prices are expected to continue during most of the present year, since both the corn carryover and estimates of 1959 corn production are large.

Companies Under Anti-trust Attack

The four dairy products companies, **Beatrice Foods, The Borden Company, Foremost Dairies,** and **National Dairy Products,** enjoy a market which grows approximately with the population. But these concerns have become so large as to be vulnerable to charges of monopoly and restraint of trade whenever they acquire another company. Anti-trust suits have, as a matter of fact, been filed against all four of them. Also, dairy companies are covered by many government regulations not only as to sanitation, but also price and marketing policies in many areas. Even so, only recently a Senate subcommittee unearthed what it charged was "an incipient monopoly" in milk distribution in Missouri, Illinois, Kentucky, and Kansas, although none of the four companies named above was involved.

The Canners

Such companies as **California Packing, Campbell Soup, Heinz, Libby, McNeill & Libby,** and **Stokely-Van Camp** being primarily canners, are subject to another set of forces in the varying size of canning crops from year to year, which leads to periodic accumulation of burdensome surpluses of canned goods, which then have to be liquidated by price cutting with consequent adverse effects on profits. For such concerns, average earnings over a period of years are a better measure of the investment merit of the stocks than profits in a single year.

The Millers

The two companies chiefly concerned with the milling of flour, **General Mills** and **The Pillsbury Company,** have been faced for many years with a long term declining trend in the per capita consumption of flour, but are sometimes helped, as in the last year and currently, by low raw material prices.

The Biscuit Bakers

The bakers of crackers, cookies, and biscuits— **National Biscuit, Sunshine Biscuits,** and **United Biscuit** — constitute in effect a separate industry, characterized by more stability of demand than most other types of food processing.

Vital Statistics on Food Store Chains

	1957				1958						
	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Div. Per Share	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Current Dividend *	Recent Price	Price Range 1958-59	Ratings
ACF-Wrigley Stores Inc.	$326.1	1.5%	$1.35	$ .35[6]	$347.5	1.6%	$1.43	$ .40	21	24¾-14⅜	C3
American Stores	409.8[2]	1.2	2.94[2]	2.00[6]	432.0[2]	1.3	3.21[2]	2.00	101	105 -65½	A1
First National Stores	N.A.	N.A.	2.58[2]	2.50	N.A.	N.A.	2.55[2]	2.50	77	88 -55⅝	A3
Food Fair Stores	310.1[3]	1.6	.99[3]	.66[6]	349.3[3]	1.5	1.01[3]	1.00[6]	39	40¼-33¼	B2
Food Giant Markets	N.A.	N.A.	—	[7]	N.A.	N.A.	1.16[4]	[7]	33	35⅝-12¾	C1
Grand Union Co.	314.2[4]	1.3	1.86[4]	.69[6]	361.3[4]	1.2	1.82[4]	.80	47	52½-33⅝	B1
Great Atlantic & Pac.	N.A.	N.A.	[11]1.70[4]	.80	N.A.	N.A.	1.72[4]	2.00	47	59 -46	A1
Jewel Tea Co.	414.4	1.6	1.24[8]	1.00[8]	443.8	1.7	1.25[8]	1.20[8]	52[8]	[8]52 -23⅞	A1
Kroger Co.	1,674.1	1.2	1.70[9]	[6] .66[9]	1,776.1	1.2	1.76[9]	.90[9]	30	34⅜-30	A1
National Tea Co.	502.1[4]	1.1	[4]1.27[10]	.66[10]	588.2[4]	1.0	[4]1.38[10]	.80[10]	23[10]	24⅞-12[10]	B1
Safeway Stores	2,117.3	1.4	3.48	.90	2,225.3	1.5	2.63	1.20	39	42¼-24½	B1
Winn-Dixie Stores	303.2	2.1	1.01	.90	348.0	2.1	1.11	1.08	44	49¼-26¼	B1

*—Based on latest div. rate.
NA—Not available.

[1]—Year ended June 30.
[2]—6 months ended Sept. 30.
[3]—28 weeks ended Nov. 8.
[4]—9 months.
[5]—28 weeks ended January 10.
[6]—Plus stock.
[7]—Distrib. of 1 sh. of new 4% cv. pfd. in 1957 and 2% in common in 1958.
[8]—Adjusted for 2 for 1 split effective 2/27/59.
[9]—Adjusted for 3 for 1 split effective 1/23/59.
[10]—Adjusted for proposed 3-1 split; stockholders vote 3/23/59.
[11]—Estimated.

Ratings: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

[1]—Improved earnings record.
[2]—Sustained earnings record.
[3]—Lower earnings record.

ACF-Wrigley Stores: Adverse employment conditions in Michigan and Ohio where most of company's stores are located, are reducing profits slightly, after period of rapid growth. Directors have reduced holdings in last year.

American Stores: Modernization program of fourth largest grocery chain continues to build larger earnings. Most of low volume stores now eliminated. Company may eventually widen its territory. Good chance of an early increase in dividend.

First National Stores: Past earnings record is outstanding, but disappointing results in recent months dim hope of an early dividend boost. Slow growth of population in New England territory served is long-term handicap. Processes about a third of products it sells.

Food Fair Stores: Rapid extension program is holding current earnings gains to small proportions. Emphasizes very large stores; now moving into Florida and other Southern states. Chairman's family controls about 30% of common stock.

Food Giant Markets: Has expanded rapidly in Los Angeles area in recent years; now plans to branch out into San Diego County this year, to Northern California in 1960, and perhaps to Pacific Northwest later. Dividends may continue to be in stock only, to conserve funds for ambitious program.

Grand Union: Leader in retailing of non-foods in supermarkets, continues to expand volume and profits rapidly by acquisition of other chains and opening large new stores. Needs of program tend to keep dividend rate at small proportion of earnings.

Great Atlantic & Pac.: Public is now being admitted to a larger share of ownership of largest retail company in world, but Hartford family still holds more than 80% of voting stock. Change has stimulated high hopes of widened margins and more rapid gains in sales and earnings than the modest rates of recent years.

Jewel Tea Co.: Sales were up in 1958 for fifteenth consecutive year, and profits made fifth successive gain, both to new records. Expansion of facilities is proceeding more slowly. Still operates about 2,000 home delivery routes, but retail stores provide bulk of business.

The Kroger Co.: Impact of recession on industrial Midwest, where third largest food chain has many stores, retarded rapid earnings progress in recent years; nevertheless, dividend rate was lifted. Emphasis on large stores and own brands, suggests continuance of recent gains. Sales in first 8 weeks of 1959, 5% ahead of year ago.

National Tea Co.: Acquisition program of fifth largest food chain has slowed up, as has also earnings gain. Better employment conditions in area served should permit improved results this year. Controlled by Loblaw Groceterias, with which ultimate merger is a possibility.

Safeway Stores: Margins of second largest food chain have been brought from lowest in industry to about normal levels by management installed in 1955. Further profits gains will probably require larger volume which should result from company's program of replacing small stores with larger units.

Winn-Dixie Stores: Management of this wholesaler-retailer expects its extraordinary sales growth rate to slow down to about 10% a year before long. Profits trend, however, continues upward at a good pace. Modest dividends in 1959 will top previous year for sixteenth consecutive time.

The Food Processers

Finally, the food processing "industry" includes a number of specialists such as **Gerber Products**, which limits its activities to baby foods; **Heinz**, which does much more business outside the United States than within its borders; and **United Fruit**, which had so large a proportion of the banana business that it agreed, under a consent decree, to share with a new competitor or competitors.

Stepped-up Diversification

Nearly all of the food processors which are strong in any special line, however, are trying to offset the disadvantages of that line by diversifying. **Allied Mills** has a chain of retail stores; the milling companies have gone into packaged foods and chemical and mechanical products; cereal companies have added pet foods; cookie bakers now make snack foods, to mention a few.

The whole industry is keenly aware of the need for constant adaptation of operations to changing conditions, and each company's success in doing so is one of the important factors in profits.

Investors need, therefore, to pay fully as much attention to the factors affecting a particular division of the industry, or a particular company, as to the general position of the industry, when deciding whether to purchase a given food stock.

The Marketers

Food retailers constitute a much more homogeneous group than the processors. All of them are primarily distributors of foods, although they differ considerably in the size and type of territory served, the amount of processing done, size of stores, emphasis on nationally advertised brands, and the amount of non-foods sold.

Food retailers enjoy a favorable bargaining position, also, in relation to food processors, in that they are closer to the consumer, and are able to exercise more influence *(Please turn to page 670)*

With the MOVIES Today —It's Love at Second Sight

By Jonathan W. Dodge

THE leper's bell which has for too long hung from the neck of the movie makers is an anachronism considering the health of the patient. The film companies were one of the few groups which enjoyed a growth in revenue last year; in terms of individual performance Loew's, Twentieth Century Fox, and Columbia Pictures each outperformed the Dow Jones field by sprinting sharewise over 60% compared to a 34% increase for the averages. Despite the fact that a *cordon sanitaire* still exists, to some extent, in the mind of the investing public, most of the motion picture producers have a good footing today.

"You Now Have Asian Flu"

Mainly due to lack of vision and a certain amount of inertia, the primrose path to prosperity was not easily found after the lush profits of the mid-forties withered. The celluloid world of Hollywood management breathed the heady air of good business too long and when the Television Virus began feeding on earnings, the film makers were slow to find an antidote. It was a situation somewhat akin to that of the diner in the Chinese Restaurant who after biting into his almond cookie found the fortune which read "You now have Asian Flu." Television had not only arrived, but was solidly entrenched.

Theatre attendance figures had dropped precipitously to a really depressed level in 1955, with average weekly attendance down to around 46 million from a high of 98 million in 1946, and the public showed great antipathy to new releases. Movie theatre owners found that a break-even point was often reached only through an increased volume of popcorn, candy, and soft drink sales.

"Immediate Seating"

The greatly enhanced appeal of the movie stocks is not the result of a rebirth in theatre attendance for the queue at the box office is not growing longer. While ticket sales have not changed materially since 1955, it does seem as though the decline has levelled off. There is not any great likelihood of any sharp increase in attendance over the next few years which spells additional hardship for theatre owners but it is really significant that today's big money-makers are bringing in more lucre for the producer and distributor. These large earners, known in the trade as "block busters," are aimed at a more sophis-

Statistical Data on Leading Movie Companies

	1957 Total Revenue —(Mil.)—	1957 Net Earnings Per Share	1957 Div. Per Share	1958 Total Revenue	1958 Net Earnings Per Share	Current Dividend *	Recent Price	Div. Yield	Price-Range 1958-59
Columbia Picture	$101.5[1]	$1.76[1]	$1.20[5]	$113.6[1]	d$1.14[1]	$ [6]	21	—%	21⅜-12½
Loew's Inc.	154.3[2]	d .09[2]	.50	152.1[2]	.15[2]	—	23	—	23½-12⅞
Paramount Picture	N.A.	2.13[7]	2.00	N.A.	2.12[7]	2.00	47	4.2	47¾-30⅝
Republic Pictures	37.9[3]	d .88[3]	—	33.4[3]	.54[3]	.15	9	1.6	9⅞- 5
Twentieth-Century Fox	96.5[7]	2.13[7]	1.60	94.1[7]	2.87[7]	1.60	38	4.2	42⅛-21¾
United Artists Corp.	52.5[7]	2.21[7]	1.05	61.5[7]	2.06[7]	1.60	26	5.3	27⅛-15¼
Universal Pictures	72.4[3]	2.83[3]	1.25	56.6[3]	d1.52[3]	—	29	—	29⅞-18½
Walt Disney Productions	35.7[4]	2.44[4]	.30[5]	48.5[4]	2.51[4]	.40[5]	48	.8	50⅜-14
Warner Bros. Pictures	79.2[2]	1.90[2]	1.20	70.0[2]	d .59[2]	1.20	30	4.0	31 -16⅞

*—Based on latest dividends rate.
d—Deficit.
[1]—Years ended June 30.
[2]—Years ended August 31.
[3]—Years ended October 31.
[4]—Years ended September 30.
[5]—Plus stock.
[6]—Declared 2½ stock thus far.
[7]—9 months.

ticated audience which simply cannot find a steady diet of quality entertainment on the video screen. Movies are today indeed better than ever, as a whole, and while a blockbuster is considerably more expensive to produce, it brings in a larger return on the dollar. For example, *Gone With the Wind*, historically the most energetic bread winner, has already been beaten out by *Ten Commandments*, with this epic expected to gross well over twice *Wind's* $33 million eventually.

Films today are being huckstered to a much greater extent than in the past. The hard sell with its accompanying promotional activities was well typified by the press agentry for last year's *The Vikings;* publicity for the forthcoming *The Naked Maja* is being cleared in advance with the Postal authorities to ensure that the advertising material will not run afoul of the sensitivities of the U.S. Mail.

Theatre release of Grade B pictures is now a thing of the past. Movies are bigger, better, more expensive — but most importantly, movies are making more money.

"An Insatiable Appetite"

Television has a huge and bottomless maw. This insatiable appetite has finally been recognized as a boon to once dismayed Hollywood. In the first place, TV is trending away from live shows which means that the entertainment must be filmed, or "canned" in industry parlance. Despite the advent of the really remarkable video-tape, an electronic process which obviates the need for film, the old-fashioned method of recording an image is still best in most cases. The tape is still very bulky, it is quite expensive, and it is reportedly difficult to work with. It does have an advantage in that the time-consuming developing stage is eliminated, enabling the user to see the results of his recording efforts seconds after making his shot, thus providing for immediate rebroadcasting to other parts of the country. So far the tape is being used primarily for short subjects like commercials, and its widespread application to longer recordings is not an immediate prospect.

One glimpse at the ABC Television network on a Sunday night gives one an idea of what TV can mean to a film maker. Three shows, *Maverick, Lawman*, and *Colt .45* are all on film, a total of two hour's worth — and this is just one brief period on one network one night of the long television week.

As is all too familiar, however, top-notch shows are able to fill only a relatively small portion of the available time. Well known to a bleary-eyed viewer of late evening programs, a large percentage of hours is devoted to the re-run of movies, primarily those of pre-1958 vintage. These are films which according to standard Hollywood practice have been completely amortized. (The usual procedure is to write off a movie's cost within the first year of its existence.) As a result, rental of old movies to television has proved extremely profitable to the studios, with some $200 million expected to be realized from this source by the industry over the next ten years.

The demand for older films should continue strong, and most of the producers, directly or through subsidiaries, produce films especially for the medium.

To The Lifeboats?

Despite the heroism of a master that stays with a sinking ship, a management that fails to plug the leaks in a sinking company to keep it from sinking, is reviled and scorned until the inevitable replacement takes place. Managements of most of the movie companies plugged their corporate seams in time, and besides broadening their area of sales and improving their products — not always with alacrity, entirely willingly, or always succesfully it must be admitted — the various groups have hitched their corporate wagons to a third star: diversification. Diversification is a common business strategy today; while it is not always effective, when planned right important benefits often accrue.

In the case of the movie companies, diversification has been an important factor in pepping up earnings. Most of the producers have gone into the record business. Many have, in the process of trimming away corporate fat, eliminated unprofitable properties (Columbia Pictures sold its film laboratories to Pathé), and streamlined operations. Warner Brothers, as an example, last year fired a large number of its *(Please turn to page 658)*

FOR PROFIT AND INCOME

Live And Learn

The idea of buying previously unavailable shares in famous "family" corporations seems to have a fascination for the investing public. The price paid, whether on a subscription offering or initial trading on the Big Board, often proves to have been too high. Before long the buyer finds that he has acquired just another stock, without any special glamour. Here are some recent examples, with the price history brought up to date. Ford Motor shares were offered in 1956 at 64½, bid up to 70 over-the-counter before Big-Board trading started, had fallen to 37⅜ by early-1958 and are now around 55. Campbell Soup sold at 42⅛ in initial trading in late 1954, at a low of 32½ in 1957 and is now at 50. The net rise over the period since the public was let in has been roughly a third that of the average high-grade income stock. Previously a little-traded, high-priced issue on the American Exchange, the well-known "A. & P." — Great Atlantic & Pacific Tea Co. — was split 10-for-1 a few months ago and listed on the Big Board. It immediately sold at 59, but is now around its subsequent low of 46. The latest case is Upjohn, major drug maker. The high was 48⅜ on initial trading, subsequent low 40 and the present price is around 42. No doubt there will be others in future. When they come, take a cold look at earnings and dividends, and do not join the rush to "get in". Probably you can buy cheaper at a later time — if you still want to buy at all.

Seasonal

In the ratio of net declines to net gains, February has the poorest long-term record of any month, but the market had a small gain on the month this year. It should be repeatedly emphasized that averages of any kind — of stocks or long-term monthly performance — merely iron out the variations. There is a record of pronounced "seasonal bias" in the market only in July-August on a combined basis, and in the vaguely-defined period "around the year end." Even so, it is not reliable enough to merit use as a

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Texas Instruments	Year Dec. 31	$1.84	$1.11
Archer-Daniels-Midland	6 mos. Dec. 31	1.93	1.28
Pacific Gas & Electric	Year Dec. 31	3.74	3.41
Pfizer (Chas.) & Co.	Year Dec. 31	4.43	4.22
St. Joseph Lead	Quar. Dec. 31	.51	.31
Diners' Club Inc.	Quar. Dec. 31	.49	.29
Maytag Co.	Quar. Dec. 31	2.36	1.09
Owens-Illinois Glass	Year Dec. 31	4.82	4.55
National Sugar Refining	Year Dec. 31	3.50	3.30
Oklahoma Natural Gas	12 mos. Dec. 31	1.76	1.31

guide in investment or speculative operations. For what it is worth — and that is not much — March has been an up month for the industrial average in 37 years, a down month of 25 years.

Trouble

The supply of bituminous coal is more than ample for demand. Although wage costs were recently boosted again, prices are being shaved. In some market areas, coal is bothered by competition from natural gas and/or residual oil. In over-all volume, coal is a static, if not, shrinking industry. In round figures, U. S. mine output of bituminous was 535 million tons in 1929, a record 631 million in 1947 and 490 million in 1957 when average industrial activity equalled the peak 1956 level. Coal production is increasingly concentrated in the hands of a relatively small number of large companies, and becomes ever more mechanized. They can make fair money under all except depressed business conditions; and good profits at times. The stocks are for speculators, not investors. They are generally faring worse than the market now but prospects for Pittston Company remain good.

More Of Same

Oil supply remains excessive and cuts in U. S. crude oil prices are spreading, following recent reduction in foreign crude. Of the major stock groups, market action of oils is poorest and has become worse over the last fortnight. The unpopularity of the once popular international oils is becoming pronounced. It is not a "corrective reaction." Call it an "adjustment", which does not make it less painful to shareholders.

Ditto

While reporting a recovery in the sales and earnings of his company in the fiscal quarter ended December 31 — a period of betterment for virtually all of the manufacturing field — David L. Luke, president of West Virginia Pulp & Paper Co. stated that it may be two or three years "before the overcapacity of paper and paperboard is fully absorbed and a good balance is reached between supply and demand." That confirms our previous thinking. We are unable to see a basis even for the present limited market enthusiasm for paper stocks. However, it can be said that they are no more over-priced than many other stocks which are discounting hoped-for earnings gains at least two or three years ahead, if not more.

Rail Outlook

The rail average has so far failed to better its mid-January high, and is lagging in relation to industrials. Assuming a further rise by the latter — which is the prevailing consensus — it could be argued that rails should "get going." Some analysts contend they are cheaper on earnings than industrials. The answer is (1) that they have basic reasons for selling at low-to-moderate price-earnings ratios because of absence of volume growth, cyclical hazards and vulnerability to recurrent cost-rate squeezes; and (2) that any present estimates of 1959 or later earnings are largely guesswork. Most roads have deferred maintenance to make up, at expense to reported net. How rapidly it will be made up hinges on future decisions of managements. The industry will be hit — some key roads especially so — by the expected mid-year steel strike. Whether the damage to earnings could be made up later in 1959 would hinge on the duration of the strike. Our guess is that it will be longer than the 1956 strike. Finally, the railroads face union demands for another round of wage boosts next autumn. After any boost, will come the industry's request to the I.C.C. for rate relief. Then the usual wait. None of this rules out possible further advance by rails. It does point up the fact that the buying needed to put rails higher will have to be speculative. They are not popular with institutional or other investors.

Income

In today's hectic market, fewer people are asking "what's safe?" More are asking "what looks hot?" But we still get inquiries from prudent investors interested in conservative income stocks which offer relatively good current yields. Here are some: American Tobacco at 99, yielding about 5%; Commercial Credit over 4.6% at 60; Equitable Gas nearly 4.5% around 39; Kresge 4.7% at 34; Public Service of Indiana 4.5% at 47; and Union Tank Car nearly 4.8% at 33½.

Cross-Currents

At this writing the principal stock groups showing above-average strength are aircrafts, air transport, auto parts, copper, drugs, electrical equipment, metal fabricating, office equipment, paper, electronics-television, electric utilities, steel and tires. Apart from oils and the coal group, some current lagging groups are gas utilities, dairy products, department stores, gold mining, food stores, motion pictures, rail equipments, rails, sugar and sulphur.

Gambling

In some cases it would seem that rational analysis does not pay off; and that a "hot" stock needs requirements something like these: the company should be relatively small, with an indifferent record; it should have something to do with electronics or something else that you know very little about; its profit outlook should be unclear or hard to figure with much assurance; it should be subject to merger rumors; if it has any present earn-

(Please turn to page 672)

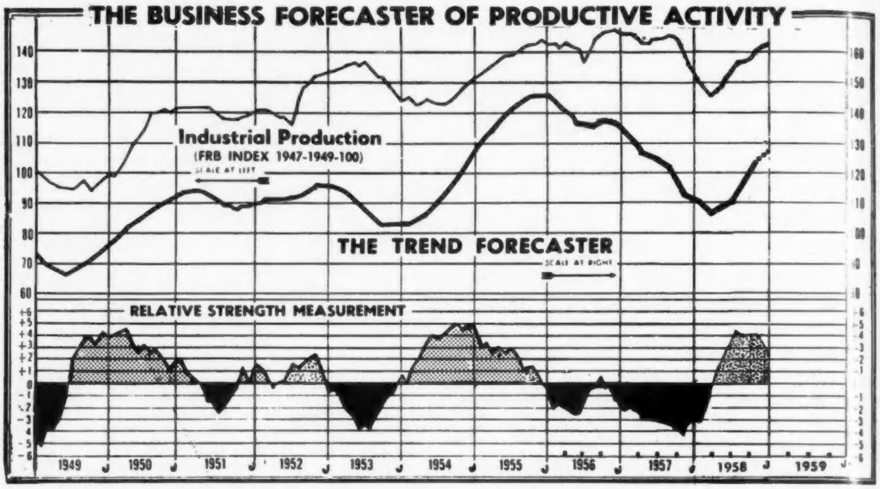
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Arvin Industries	Year Dec. 28	$1.65	$4.10
Carborundum Co.	Year Dec. 31	2.21	3.61
Eaton Mfg. Co.	Year Dec. 31	3.46	5.77
Chrysler Corp.	Quar. Dec. 31	1.30	1.88
General Time	Year Dec. 27	1.17	1.70
Halliburton O. W. Cement	Quar. Dec. 31	.86	1.02
Sylvania Electric Products	Year Dec. 31	2.23	3.48
Union Tank Car Co.	Year Dec. 31	2.16	2.64
American Cyanamid	Year Dec. 31	2.07	2.42
Eastern Air Lines	Year Dec. 31	2.31	3.21

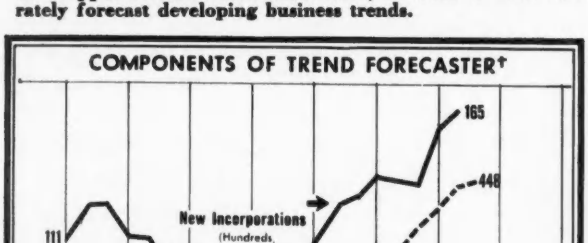
the Business A

Business Trend Forecaster*

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F.W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

At this point in the business cycle, it is appropriate to take a somewhat longer perspective on The Trend Forecaster.

Characteristically, the Relative Strength Measure, which summarizes the behavior of the eight component series, moves very rapidly at a business trough, and advances sharply into a range above +3. In its declining phase, however, the Relative Strength Measure typically falls slowly, and over an extended period. The turning point of the Relative Strength measure tends to lead **at an upturn** by at least four months — and usually more, **at a downturn** its lead may be about twice as great.

By current indications, the Relative Strength Measure, has ended its rise, and has, on a tentative appraisal, begun the decline characteristic of an oncoming business cycle peak. However, the number of months of expansion in general business conditions that can be expected is still indefinite. Based on the present behavior of the measure, recovery is likely to continue, although perhaps at a slower and slower rate, at least until mid-year 1959.

Analyst

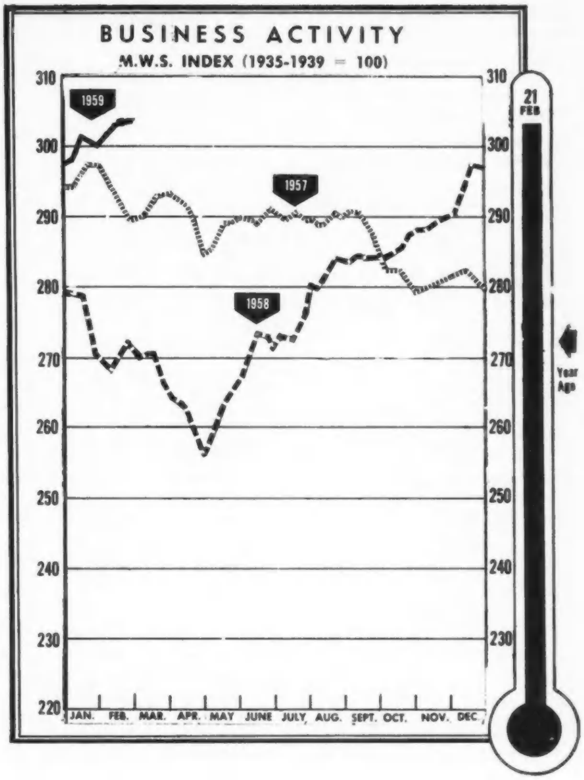
CONCLUSIONS IN BRIEF

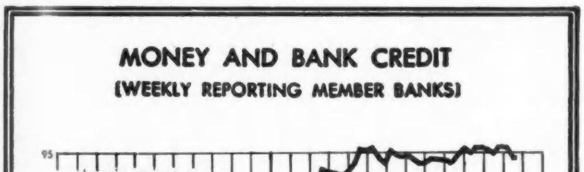
PRODUCTION—industrial activity still rising slowly, much less rapidly than in late 1958. Gains chiefly in raw materials; finished goods output now almost stable. Outlook: only slow advance through mid-year.

TRADE—Retail volume holding up well, but not advancing. Soft goods sales at record levels, but hard goods have leveled off after improvement late in 1958. Outlook: stability for next several months.

MONEY & CREDIT—Federal Reserve policy remains neutral; underlying monetary conditions getting moderately tighter, but no squeeze yet. Prospect remains that rates will be firm to slowly rising over next three months.

COMMODITIES—Still no general price trend, after almost a year of general business recovery. Farm and food commodities still falling slowly, industrial commodities firm. Mixed price conditions probable throughout first half.





IN MANY respects (but not in all respects) the business recovery of late 1958 has moved according to past patterns of recoveries. The usual sources of strength that have appeared early in the life of a typical postwar recovery have been present in force, and have helped to drive general business back close to its prior peak. Inventory demand has, as usual, reversed from liquidation into accumulation. Housing starts, stimulated by legislation, have reversed from abnormally low to unsustainably high. Consumer buying of soft goods has remained strong in recession and recovery alike. And consumer buying of hard goods, after reacting sharply to recession, has made at least a modest recovery in recent months. Finally, government expenditure rates have risen more rapidly, to offset the recession-induced declines in private activity.

With this much evidence, optimists are arguing that the 1957-1958 recession has now gone the way of all postwar recessions; that it is clearly over; that new peaks lie immediately ahead; and that business has resumed it normally expansionary, inflationary tendencies.

This happy (if somewhat inflationary) picture is perhaps now a majority view. But there remains a sizeable minority (including this column) which argues that business is not yet on a clear road to further uninhibited growth, and that the 1958 recession has left a deeper, more permanent scar than either of its predecessors of the postwar years. In this view, attention is invited to the relatively sluggish recovery of employment and personal incomes, with

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Jan.	143	142	133
Durable Goods Mfr.	1947-'9-100	Jan.	154	152	142
Nondurable Goods Mfr.	1947-'9-100	Jan.	137	135	127
Mining	1947-'9-100	Jan.	122	123	121
RETAIL SALES*	$ Billions	Jan.	17.6	17.6	16.8
Durable Goods	$ Billions	Jan.	5.9	5.8	5.6
Nondurable Goods	$ Billions	Jan.	11.7	11.8	11.3
Dep't Store Sales	1947-'9-100	Jan.	137	144	130
MANUFACTURERS'					
New Orders—Total*	$ Billions	Dec.	28.1	27.8	25.1
Durable Goods	$ Billions	Dec.	13.5	13.6	11.4
Nondurable Goods	$ Billions	Dec.	14.6	14.3	13.7
Shipments*	$ Billions	Dec.	28.0	27.5	26.7
Durable Goods	$ Billions	Dec.	13.6	13.3	13.1
Nondurable Goods	$ Billions	Dec.	14.4	14.2	13.6
BUSINESS INVENTORIES, END MO.*	$ Billions	Dec.	85.2	85.0	90.7
Manufacturers'	$ Billions	Dec.	49.2	49.3	53.5
Wholesalers'	$ Billions	Dec.	12.0	12.1	12.7
Retailers'	$ Billions	Dec.	24.0	23.6	24.5
Dept. Store Stocks	1947-'9-100	Dec.	150	153	150
CONSTRUCTION TOTAL	$ Billions	Jan.	3.7	4.0	3.3
Private	$ Billions	Jan.	2.6	2.9	2.4
Residential	$ Billions	Jan.	1.4	1.6	1.2
All Other	$ Billions	Jan.	1.2	1.3	1.2
Housing Starts*—a	Thousands	Jan.	1350	1430	1020
Contract Awards, Residential—b	$ Millions	Jan.	1022	981	777
All Other—b	$ Millions	Jan.	1298	1301	1289
EMPLOYMENT					
Total Civilian	Millions	Jan.	62.8	64.0	64.9
Non-Farm	Millions	Jan.	50.3	51.9	50.5
Government	Millions	Jan.	8.1	8.4	7.7
Trade	Millions	Jan.	11.0	12.0	11.1
Factory	Millions	Jan.	11.8	11.9	12.0
Hours Worked	Hours	Jan.	39.9	40.3	38.7
Hourly Earnings	Dollars	Jan.	2.19	2.19	2.11
Weekly Earnings	Dollars	Jan.	87.38	88.26	81.66
PERSONAL INCOME*	$ Billions	Jan.	362	360	349
Wages & Salaries	$ Billions	Jan.	245	243	235
Proprietors' Incomes	$ Billions	Jan.	58	58	56
Interest & Dividends	$ Billions	Jan.	32	30	32
Transfer Payments	$ Billions	Jan.	26	26	24
Farm Income	$ Billions	Jan.	17	18	16
CONSUMER PRICES	1947-'9-100	Jan.	123.8	123.7	122.3
Food	1947-'9-100	Jan.	119.0	118.7	118.2
Clothing	1947-'9-100	Jan.	106.7	107.5	106.9
Housing	1947-'9-100	Jan.	128.2	128.2	127.1
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Jan.	110.1	110.3	104.7
Bank Debits*—g	$ Billions	Jan.	87.8	89.5	83.6
Business Loans Outstanding—c	$ Billions	Jan.	30.2	30.3	30.4
Instalment Credit Extended*	$ Billions	Dec.	3.7	3.6	3.6
Instalment Credit Repaid*	$ Billions	Dec.	3.4	3.4	3.5
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Jan.	4.5	6.2	4.8
Budget Expenditures	$ Billions	Jan.	6.8	7.1	6.0
Defense Expenditures	$ Billions	Jan.	3.7	4.2	3.6
Surplus (Def) cum from 7/1	$ Billions	Jan.	(13.3)	(11.0)	(8.0)

PRESENT POSITION AND OUTLOOK

consequences for consumer purchases of hard goods. Also noteworthy is the sluggish behavior of instalment credit extensions: apparently the consumer himself is rationing his use of credit in the absence of direct credit controls. Other indications that a full boom is not now in the offing: (1) the rising competitive threat of imports; (2) the concern of the federal government to balance the budget (or come close to it); (3) the reaction of taxpayers to proposals to raise state and local tax rates; and (4) the sluggish ordering rate in capital goods industries a full year after business recovery has begun in other industries. The case for a slow, halting, uncertain advance of business in the next few quarters, rather than a new boom, is actually rather strong.

* * *

THE AUTOMOBILE MARKET—in this crucial area of 1959 business, the news is modest — neither excitingly good nor frighteningly bad. In the first six weeks of 1959, the new models have sold at a rate which suggests something in the neighborhood of 5.3 million domestic sales during the calendar year. The industry assumes a sales rate for imported cars of about 400,000 — which implies a total 1959 volume (domestic and imported) of about 5.7 million. This compares with about 4.6 million in 1958, and is thus a tidy advance of almost 25% in the selling rate, a welcome recovery from Detroit's point of view. On the other hand, this is hardly true prosperity for Detroit; the automobile industry is now capable of turning out 8 million a year. Moreover, a production rate just over 5 million hardly clears up the unemployment problem that has plagued Detroit for almost two years.

* * *

CORPORATE TAX NOTE—It is customary to think of corporate payments as highly seasonal, with a huge payment in March, a smaller payment in June, and much smaller payments at the end of the other two quarters. It is interesting to note that changes in the tax law, and in business conditions, have just about wiped out the seasonal for 1959. In March and June of this year, corporations will pay 35% (in each quarter) of their 1958 tax liability; in September and December they will pay 20% of their 1959 tax liability. (These percentages are not wrong,

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1958 IV Quarter	1958 III Quarter	1958 II Quarter	1957 IV Quarter
GROSS NATIONAL PRODUCT	453.0	439.0	429.0	438.9
Personal Consumption	296.5	291.5	288.3	287.2
Private Domestic Invest.	61.5	53.7	49.2	61.5
Net Foreign Investment	0.2	1.7	1.7	3.3
Government Purchases	94.8	92.0	89.7	86.9
Federal	53.8	52.2	50.7	49.1
State & Local	41.0	39.8	39.0	37.8
PERSONAL INCOME	359.1	357.5	349.8	349.7
Tax & Nontax Payments	43.7	43.5	42.3	43.0
Disposable Income	315.4	314.0	307.5	306.8
Consumption Expenditures	296.5	291.5	288.3	287.2
Personal Saving—d	19.0	22.5	19.2	19.6
CORPORATE PRE-TAX PROFITS	44.0	37.9	32.0	39.9
Corporate Taxes	22.4	19.3	16.3	19.9
Corporate Net Profit	21.6	18.6	15.7	20.0
Dividend Payments	11.8	12.5	12.4	12.0
Retained Earnings	9.8	6.1	3.3	8.0
PLANT & EQUIPMENT OUTLAYS	29.9	29.6	32.4	37.8

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Feb. 21	303.3	302.6	272.3
MWS Index—per capita*	1935-'9-100	Feb. 21	225.7	225.1	204.7
Steel Production	% of Capacity	Feb. 28	87.6	86.5	54.6
Auto and Truck Production	Thousands	Feb. 28	163	154	117
Paperboard Production	Thousand Tons	Feb. 21	305	310	273
Paperboard New Orders	Thousand Tons	Feb. 21	298	289	230
Electric Power Output*	1947-'49-100	Feb. 21	251.4	248.2	234.1
Freight Carloadings	Thousand Cars	Feb. 21	583	567	492
Engineering Constr. Awards	$ Millions	Feb. 23	286	398	305
Department Store Sales	1947-'9-100	Feb. 21	109	111	88
Demand Deposits—c	$ Billions	Feb. 18	56.7	57.5	54.9
Business Failures	Number	Feb. 19	310	292	317

PRESENT POSITION AND OUTLOOK

although they may look so: corporations are paying 110% of a normal year's tax liability during the period of switching over to a pay-as-you-go basis). Note that 1958 tax liabilities are low, owing to recession, and 1959 tax liabilities will doubtless be high, owing to recovery. Hence, the payments of corporations paying their taxes quarterly may well be fairly evenly spread throughout the year.

* * *

THE IMPORTS PICTURE—these figures on our place in the world economy are getting increasing attention; they suggest a deterioration in U.S. markets abroad, and an increasing invasion of our domestic market.

During 1958, imports into the U.S. were about unchanged from 1957. This sounds normal enough but imports usually decline in a recession year, since a large part of our imports are raw commodities used in industrial production. The fact that they did not decline is an indication of the rising competitive attack of foreign producers on our finished goods markets. Amond the main influences of inflation, perhaps the most feared now is the tendency of further price increases to open our markets to increase inroads of imports.

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958-'59 Range High	1958-'59 Range Low	1959 Feb. 6	1959 Feb. 13
300 Combined Average	453.9	283.9	453.9	453.6
4 Agricultural Implements	408.6	196.5	401.6	408.6H
3 Air Cond. ('53 Cl.—100)	131.1	87.8	131.1	126.3
10 Aircraft ('27 Cl.—100)	1276.9	982.2	1276.9	1264.6
7 Airlines ('27 Cl.—100)	1239.5	638.8	1219.5	1229.5
4 Aluminum ('53 Cl.—100)	443.7	253.4	405.0	400.6
5 Amusements	214.0	125.0	214.0	210.2
6 Automobile Accessories	441.5	298.9	441.5	437.5
6 Automobiles	100.4	40.8	98.5	97.5
4 Baking ('26 Cl.—100)	40.9	28.5	40.2	40.9
4 Business Machines	1317.2	898.2	1252.0	1265.1
6 Chemicals	740.4	509.5	726.9	740.4H
4 Coal Mining	30.3	18.4	28.6	28.1
4 Communications	185.8	85.7	185.8	184.2
9 Construction	164.9	107.5	163.4	164.9H
7 Containers	1142.6	707.3	1109.7	1109.7
6 Copper Mining	336.3	184.6	336.3	339.0
2 Dairy Products	147.7	115.6	143.1	146.0
6 Department Stores	126.2	78.9	125.0	126.2H
5 Drugs-Eth. ('53 Cl.—100)	425.2	217.2	403.5	411.5
6 Elec. Eqp. ('53 Cl.—100)	282.1	195.8	276.7	282.1H
3 Finance Companies	747.2	568.8	697.7	690.5
5 Food Brands	434.1	255.5	430.2	426.2
3 Food Stores	279.6	182.2	271.5	268.8

(Nov. 14, 1936 Cl.—100)	High	Low	Feb. 6	Feb. 13
100 High Priced Stocks	278.6	189.7	275.9	278.8H
100 Low Priced Stocks	624.2	334.7	624.2	618.2
5 Gold Mining	962.8	530.5	912.2	886.8
4 Investment Trusts	190.6	144.4	186.9	188.8
3 Liquor ('27 Cl.—100)	1564.6	913.4	1519.4	1549.5
8 Machinery	483.4	343.8	479.0	483.4H
3 Mail Order	284.8	143.3	284.8	294.5
4 Meat Packing	249.6	123.6	249.6	245.6
5 Metal Fabr. ('53 Cl.—100)	199.0	138.1	199.0	19[illegible]
9 Metals, Miscellaneous	409.6	278.3	409.6	398.6
4 Paper	1216.9	841.8	1216.9	1216.9
22 Petroleum	885.5	629.7	827.0	802.0
21 Public Utilities	351.8	258.9	348.4	348.4
6 Railroad Equipment	94.6	59.2	94.6	91.2
20 Railroads	76.7	43.0	73.9	73.1
3 Soft Drinks	640.1	445.6	628.6	640.1H
12 Steel & Iron	415.4	249.3	415.4	411.6
4 Sugar	144.7	102.8	131.7	131.7
2 Sulphur	828.5	543.4	802.2	786.9
11 TV & Electron. ('27 Cl.—100)	75.3	26.8	70.5	75.3H
5 Textiles	197.8	106.9	197.8	194.3
3 Tires & Rubber	233.1	142.3	233.1	233.1
5 Tobacco	188.1	110.9	179.7	181.4
3 Variety Stores	350.9	239.3	347.6	344.4
20 Unclassif'd ('49 Cl.—100)	265.9	145.4	265.9	263.5

H-New High for 1958-1959.

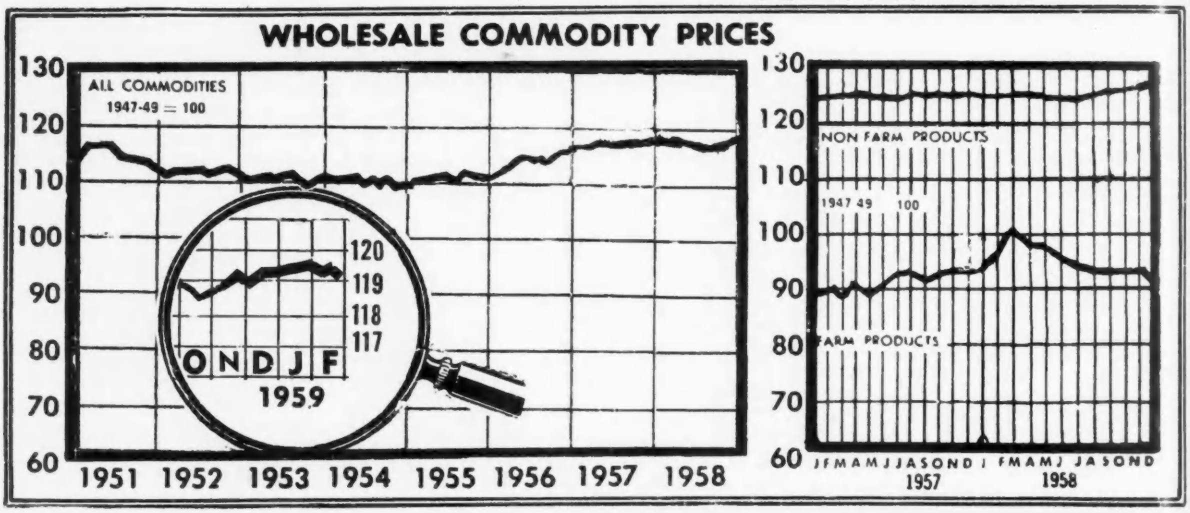
Trend of Commodities

SPOT MARKETS—Most sensitive commodities remained in a narrow range in the two weeks ending February 27. The BLS index of 22 such commodities rose by 0.1%, reflecting somewhat higher raw food prices. The index of raw industrial materials fell 0.2%. In this sector, burlap, lead scrap, steel scrap and zinc were lower while copper scrap, hides, tin and wool tops showed some improvement. Judging by recent price movements, inventory buying of most commodities remains slow.

Among commodities in general, farm products, in the two weeks ending February 24, continued the decline which started almost a year ago, accounting for a drop of 0.3% in the BLS comprehensive price index. The index of all commodities, other than farm and food products, remained unchanged at previous peak levels.

FUTURES MARKETS—Futures prices were mostly higher in the two weeks ending February 27 and the Dow-Jones Commodity Futures Index rose 1.44 points to close at 146.90. A long list of futures registered gains, including wheat, corn, soybeans, cocoa, coffee, copper, hides and rubber, while others were no worse than mixed.

All wheat options were higher in the period under review with the May future gaining 4½ cents to close at 203, a new high for the life of the option. The Department of Agriculture's report, indicating that wheat placed in the loan amounted to 603 million bushels, rather than the 569 million bushels previously reported, heartened buyers. Another bullish factor was the Department's estimate that exports for the season would be as high as 450 million bushels, while new crop options were helped by the poor weather thus far.



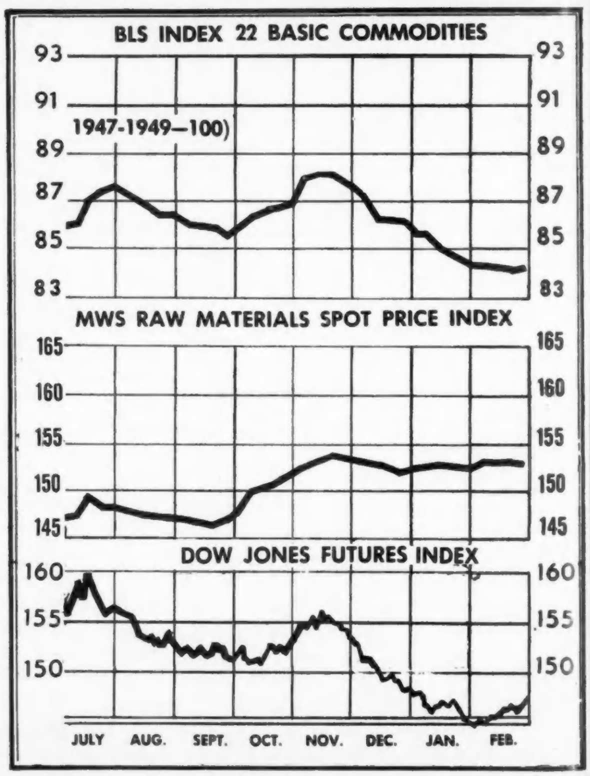
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Feb. 24	119.1	119.4	119.0	60.2
Farm Products	Feb. 24	89.9	91.1	96.1	51.0
Non-Farm Products	Feb. 24	127.6	127.6	125.7	67.0
22 Sensitive Commodities	Feb. 27	84.5	84.4	85.5	53.0
9 Foods	Feb. 27	78.8	78.4	88.9	46.5
13 Raw Ind'l. Materials	Feb. 27	88.5	88.7	83.1	58.3
5 Metals	Feb. 27	95.7	96.6	86.0	54.6
4 Textiles	Feb. 27	76.6	77.0	76.8	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1958	1957	1953	1951	1945	1941
High of Year	154.1	166.3	162.2	215.4	89.9	85.7
Low of Year	146.5	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	159.0	163.4	166.8	215.4	106.4	84.6
Low of Year	144.2	153.8	153.8	174.8	93.9	55.5
Close of Year		156.5	166.5	189.4	105.9	84.1




UF
SCIENTIFIC AGRICULTURE · LAND USE · FARM PRODUCTION
EMPLOYMENT · TRANSPORTATION · SOCIAL RESPONSIBILITY
$

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities at* reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Armco Steel Corp.

"I have been a subscriber to your magazine for a number of years and have found it helpful. Please report recent earnings of Armco Steel and outlook for the company over coming months".

C. W., Seattle, Washington

Armco Steel is a good grade issue with a better than average growth trend in its field. The business is well integrated and plants are well dispersed geographically. Earnings outlook over coming months continues favorable. Armco recently stated that shipments in the first three months of this year will be the largest for any quarter in the last two years.

Armco Steel Corp. net sales in 1958 amounted to $867.600,000, compared with $1,073,705,000 in 1957. Net earnings last year totalled $57,233,000, equal to $3.87 a share, compared with $68.298,-000, or $4.71 a share in 1957, according to a preliminary unaudited report.

Although National Supply Co., maker of oil field equipments, was not merged into Armco until April 30, 1958, for comparative purposes all 1957 and 1958 figures include National Supply.

During the fourth quarter, Armco's net sales were $249,295,-000, which compares to an average of $210 million for each of the preceding three quarters of 1958. Net earnings of $23,400,000 for the quarter included year-end adjustments which were applicable to the entire year.

Operating at 70.5% of ingot capacity, the company produced 4,506,127 tons of steel last year. In the preceding year. Armco's mills poured 5,423,592 tons of steel with operations at 90.4% of capacity. During 1958, the company shipped 3,640,620 tons of steel mill products, compared with 4,453,017 tons in 1957. In both years, shipments included products made from purchased steel.

Earnings before Federal income taxes were $111,422,000 against $137,337,000 in the preceding year. Federal income taxes last year amounted to $54,189,000 against $69,040,000 in 1957.

Depreciation and amortization were $34,450.000 in 1958, compared with $38,430,000 in 1957.

The annual dividend rate is $3.00 per share.

Burroughs Corp.

"As a subscriber to your magazine I would like to get your advice as to "hold or sell" on Burroughs Corp. I am primarily interested in favorable long term prospects."

H. G., Cleveland, Ohio

Borroughs Corp. is one of the largest manufacturer of office equipment and the company is active in research, particularly on the application of electronics and automation to office practices and its development and marketing of computers imparts longer term favorable prospects. On that basis retention is merited.

World-wide revenues of Burroughs Corp. for the year 1958 amounted to $294,085,078, approximately $11,300,000 higher than the $282,773,950 for 1957. Net earnings for the year, after income taxes, were $6,407,934 as compared with $10,074,594 for 1957.

Based on the average number of shares outstanding in each year, earnings per share were $1.02 for 1958, compared with $1.67 for 1957.

The sharp decline in earnings, which were not fully anticipated at the beginning of 1958, resulted from a lower than expected volume of business and a higher level of costs. The new product program, particularly in the field of electronic data processing systems, continue to entail heavy costs in development, engineering, production and marketing during the year. Costs for wages and materials also were higher in 1958 than in the previous year.

Devaluations during the year in certain foreign currencies, as well as fluctuations in the rate of exchange from those used in 1957, also adversely affected net income. In addition, a change in the treatment of the provision for Federal Income Taxes resulting from the difference between the tax and financial methods of accounting for depreciation further served to decrease net income. These two factors reduced net earnings for the year by approximately $1,500,000.

Despite the decline in general business activity in 1958, incoming orders for both commercial and military equipment were at record levels. As of December 31, 1958, unfilled orders amounted to approximately $220 million, com-

(Please turn to page 674)

UNION CARBIDE

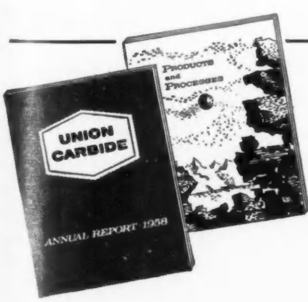
UNION CARBIDE CORPORATION

1958 Annual Report Summary

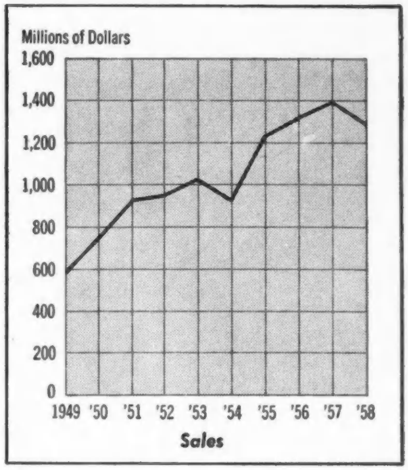
	1958	*1957*
Sales	$1,296,532,373	$1,395,032,817
Net Income	124,936,845	133,740,818
Per Share	4.15	4.45
Dividends Paid	108,265,402	108,307,512
Per Share	3.60	3.60
Earned Surplus	622,201,752	605,530,309

Current Assets	$ 653,350,387	$ 639,190,691
Current Liabilities	213,802,203	216,302,892
Total Assets	1,530,476,376	1,456,353,350

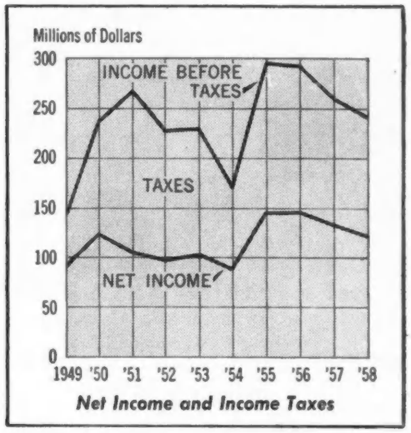
Shares Outstanding	30,093,183	30,067,123
Number of Stockholders	126,739	123,943
Number of Employees	71,500	77,000



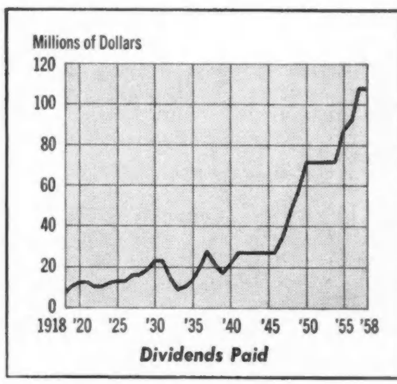
Copies of the complete 1958 Annual Report of Union Carbide Corporation will be furnished on request. An illustrated booklet describing the products and processes of Union Carbide also is available. If you wish copies of these booklets, please write to the Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.



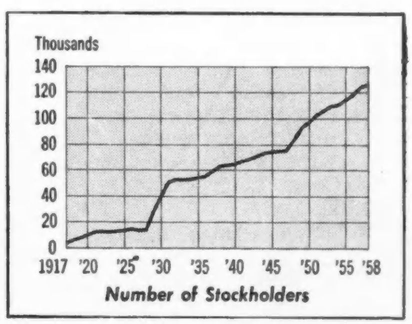
Sales



Net Income and Income Taxes



Dividends Paid



Number of Stockholders

With The Movies Today — It's Love At Second Sight

(Continued from page 647)

highly paid personnel. Belts have been tightened and diversification continues.

Twentieth Century Fox, among others, is involved in what may prove to be a highly profitable real estate venture. Several companies are drilling for oil on studio properties and one corporation, Republic Pictures, has fled the film-making scene entirely.

A Yen For Yen

Before discussing the individual companies in some detail, one final part of the broader picture must be mentioned. Today a whopping 54% of film revenues comes from overseas markets. Theatre attendance abroad is most encouraging, although the one-eyed monster TV is begining to make its apparently inevitable inroads into all corners of the globe. Showing films abroad has its problems; besides import restrictions there is the question of communication of ideas — while sometimes two versions of one movie have to be shot, most producers agree the revenue is well worth the effort. Though foreign receipts are in some cases blocked by currency regulations, the situation should ease in this respect due to the recent overhaul of European monetary policies. Hollywood products are viewed from Boston to Bangkok, from Tokyo to Tulsa.

Columbia Pictures

Although **Columbia Pictures** showed a deficit for the 1957 fiscal year, this was primarily due to non-recurring expenses and the company is now operating in the black. The big recent earner, *Bridge on the River Kwai*, continues to bring in good money on reduced amortization costs, and the latest blockbuster, *Sinbad the Sailor* is being well received. Sales have risen over 100% since the 1947-1949 period, outpacing the growth in the national economy, and unprofitable operations have been eliminated; recently the West Coast film processing laboratories were sold to Pathé. Management's faith in itself and in future operating results is demonstrated by its large 30% holding of the common stock and the creation of a special company, Fico, to acquire further blocks as they become available. As a result of the size of the holdings, the market is somewhat narrow and the stock more volatile than average.

Columbia has a television subsidiary, Screen Gems, which both distributes and produces films for TV. This subsidiary has guaranteed Columbia a minimum of $20 million for some 600 pre-1948 films. Another subsidiary manufactures records, and Union Oil is drilling on studio properties. The company recently acquired facilities in London. Revenue from TV runs about 22% of the total, with domestic film rentals accounting for 34% and foreign rentals 44%. The second half of the fiscal year should show substantial earnings improvement and the stock might at last prove to be an interesting situation.

Walt Disney Productions is a fast growing, world-wide enterprise that is diversified yet well integrated. Motion pictures for theatres and television are the main source of income, (accounting for about 40% and 18.5% of the total respectively), with Disneyland Amusement Park producing around 24% and royalties from various promotional activities bringing in 12%. Management has pretty tight control, with some 45% of the stock being held by the Disney brothers. Plenty of money is available for production purposes, and the very conservative dividend is amply earned. No information is available on the potential value of the company's old films; however the timeless appeal of Disney's work, together with a sizeable market in the offing when color TV is wider-spread, are worth a lot. The high level of creativity within the organization cannot be underestimated either.

The good earnings record is expected to continue with earnings of around $3.00 a share not unlikely for 1959. In the years since 1933, earnings have risen some 600% using that year as a base. Cash flow per share is large and the stock has a cushion of around $14 per share book value. Television activities are expanding, and re-issue of old films will contribute importantly to income. New features like *Sleeping Beauty* are planned and one cannot help but feel that Walt Disney Productions will continue to be a growing enterprise.

Loew's — With a settlement of the threatened proxy action in a manner favorable to the presentable management headed by Joseph Vogel, Loew's is well on the road to an anticipated earnings recovery following some lean years. Decisive cost-cutting programs have resulted in long need ed economies, and the projected spin-off of the theatre facilities planned for this spring will help tighten up operations. The quality of films has been upgraded, and recent pictures such as *Gigi*, and *Cat On a Hot Tin Roof* have been very successful. A new block buster, a remake of *Ben Hur* is scheduled for release this fall. It is interesting to note that cash flow is rising at a most creditable rate, and long term debt has been substantially reduced. Assets are carried at considerably less than market value (in the case of radio station WMGM at $223,000 or only about 7% of its market value of over 6 million dollars) and early resumption of dividends is likely. The pre-1948 film library has been entirely written off, and its value is estimated at around $50 million.

Management's faith in Loew's is reflected in its holdings of around 8% of the stock. Fiscal 1958 earnings showed a profit of $0.15 per share and in 1959 could reach the $2.50 level on the basis of successful box office reception and of new releases. Loew's appears to be one of the more attractive movie stocks currently, with finances in good shape and a bright outlook for the future.

Paramount is one of the leading producers with substantial interests in other fields. This diversification is provided through stock ownership in Dumont Laboratories, Metropolitan Broadcasting, and control of the leading Canadian movie chain. These holdings are worth around $13 at current market value. Other interests which reflect creditably on the alertness of management include a 90% ownership of International Teleregister, a closed-circuit TV system, and rights to the Lawrence Color TV tube, a low cost color device expected to be in production shortly. A record company, Dot Records was acquired last year, and Union Oil is drilling on Paramount's Cali-

fornia properties. While it may be some time before the company has another big winner like *Ten Commandments,* some 20 million-dollar budget films are scheduled for release this year against 14 in 1958.

The pre-1948 film library has already been sold for $35 million, with total sales expected to reach $50 million. Besides these older films, the company has a substantial number of newer movies which will eventually be released to TV as demand increases.

1959 earnings should reflect the progress Paramount has made and continues to exhibit. The liberal $2.00 dividend is currently covered, and although production costs for movies are high, the broadened earnings base should prove beneficial.

Republic Pictures has managed to stem the outgoing tide of earnings of the past four years through effecting various economies, and although management has begun to be more realistic, there is no conclusive evidence of plans which might tend to enhance the value of the stock. Slumping movie business led Mr. Yates, the President of the company, to leave the movie business altogether—a move which wound up costing some $2 million.

The main sources of revenue at present are the leasing of films to television and the leasing of film studios to outside producers. The leasing of older films should provide around $4 million additional to Republic over the next three years, with some $2.6 million coming from overseas distribution of post-1948 features.

In December a $0.15 dividend was declared, the first dividend since payment of 5% in stock in January of 1956. Because Republic was slow in picking up the ball, the recovery outlook is somewhat clouded.

Twentieth Century Fox, in spite of rather wide earnings fluctuations in the past, has effectively met the challenge of television and is making a strong comeback. The company has interests in extensive foreign movie chains and owns a license covering the large screen television and lamp known as the Ediphor TV system, together with exclusive world rights to the Cinemascope process. More than 200 pre-1948 films have been leased to National Telefilm Associates, and a 50% interest is owned in NTA Film Network which produces TV shows. A large real estate development is planned in the Beverly Hills section of Hollywood, with 20th Century retaining oil and gas rights. Incidentally, drilling operations, commenced in 1955 with Universal Consolidated Oil, are producing considerable revenue.

This leading producer and distributor has had some very successful releases recently including *Peyton Place, Long Hot Summer* and *Farewell to Arms.* The record division has begun to show a profit and a solid impact on earnings should result from the real estate development. Dividends should hold at $1.60 per share, averaging 63% of earnings, and the stock would appear to have considerable speculative merit.

United Artists shoots no films itself, but acts solely as a distributor and source of financing for independent producers using either its own funds or the guaranteed loans of others, Production activities are limited to approval of stars, screen plays, director, producer and budget. This method of operation acts as a buffer against the vagaries of movie acceptance and also is effective, a factor borne out by the success of such films as *Witness For The Prosecution, Around The World in 80 Days* and *Separate Tables.* The company avoids low cost pictures as much as possible, and around 25 major productions are scheduled for release this year, a substantial increase over 1958. Some 55% of income is derived from a 30% return on a film's domestic gross including TV revenue with the remainder accruing from a 40% share of the overseas gross. Distribution rights run about 7-10 years, and United Artists has been successful in obtaining TV rights to most of the films on its list. Through United Artists Television, Inc., a wholly owned subsidiary, films are financed and distributed especially for TV consumption and the company has an interest in United Artists Associated which includes among its assets the large pre-1950 film library purchased from Warner Brothers.

The longer term trend of earnings has been upward, but 1958 earnings may be off to around the $2.90 level reflecting the larger number of outstanding shares.

Universal Pictures presents a somewhat less attractive appeal than certain other companies in the business, having had to swing away from making medium priced films and go into the more expensive and more lavish type production. *Perfect Furlough* is reportedly doing well, and the star studded *Spartacus,* soon to be released may prove a winner.

The company is 82% owned by Decca Records but management denies all rumor of a possible merger. Universal's pre-1948 library of 600 features is being distributed to TV through Screen Gems, for a minimum of $20 million in rentals from 1957 to 1964. The Department of Justice is contesting the details of this arrangement through an anti-trust suit.

Altogether there appears to be no likelihood of dividend resumption in the near future due to the continuing policy of strengthening internal finances. Although the current fiscal year should show some recovery in earnings, the longer term outlook continues uncertain.

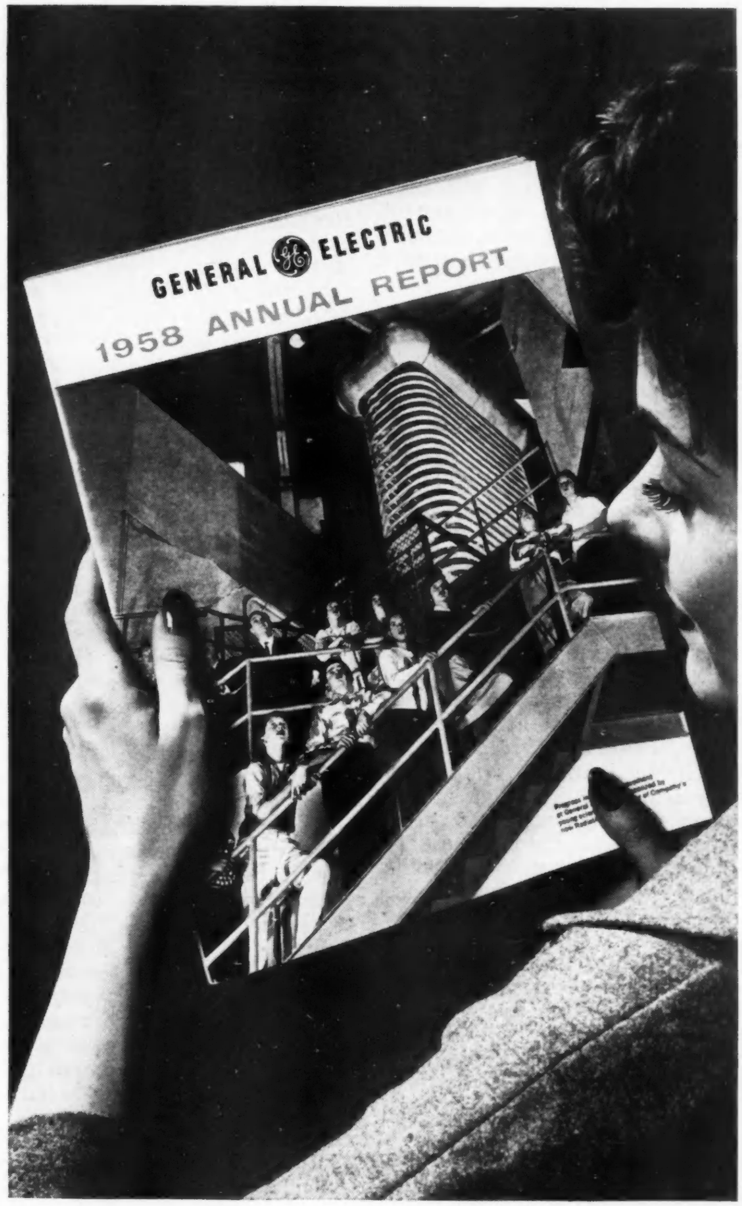
Warner Brothers has recently chased the wolf from the door, with the final quarter of fiscal 1958 showing the best profit for that period in the company's history. Despite the fact that for this year earnings were heavily in the red, things are looking up. A new management, taking a breather in mid-1958 to study operations, has trimmed expenses and adopted new, more conservative accounting policies. Since this rehabilitation, several really good films have been released including *Damn Yankees, Sayonara* and *Auntie Mame.*

The company is active in overseas markets, and participation in the British TV industry is bringing in excellent results. The record division is reportedly doing well. The company has a close tie in with ABC-Paramount, filming some of the major shows for that TV network. Included are *Maverick, Lawman, Colt .45* and *77 Sunset Strip,* A tie in with Filmways Inc. provides for reciprocal use of East and West Coast facilities. Commercial and industrial films are made by a steadily expanding division.

With the pick-up in earnings the $1.20 dividend should be maintained and to all appearances Warner Bros. is on the road to increased prosperity. END

Now available:

GENERAL ELECTRIC'S 1958 ANNUAL REPORT



CONTENTS

• • •

For more information about these areas of progress, send for your free copy of the Annual Report; write to General Electric, Dept. AR-119-2, Schenectady, N. Y. If you own General Electric shares held in the name of a broker, or in the nominee name of a bank or trust company, write to Dept. GC-12, Schenectady, N. Y., and we will mail you regularly our share owner publications.

Progress Is Our Most Important Product

GENERAL ELECTRIC

What $40 Billion in Defense Spending Means

(Continued from page 628)

completion in sight, any extension would be welcome news.

Many experts believe our interim ballistic missile Atlas and Titan projects will not become effective and workable weapons for several years and that our deterrent force, the Strategic Air Command, should be strengthened. Our "second generation" solid propellant missiles Polaris (Lockheed) and Minuteman (Boeing) are still in the early development stage. These new atomic weapons will become our deterrent force.

Companies Involved

In the interim many experts believe our Strategic Air Command should be strengthened. If our B-52 heavy bomber contracts were increased by 125 of the latest model, plus the required 85 of the KC-135 aerial tankers, it would mean an increase of over one billion dollars in the backlog for Boeing. The eight new lighter-weight J-57 jet titanium engines in each bomber plus the four all-steel J-57's in the aerial refuelers, plus 25 per cent spares and 29 per cent for spare parts would mean $400 million of additional business for Pratt and Whitney.

Such an increase would also mean nearly $200 million in airborne electronic equipment which would be divided among six to eight of our largest electronic firms. It would mean an increase in the production order of the Hound Dog (North American) missile. The dispersal program for our present bombers is a $2.5 billion construction project. The building of new air bases for an increased bomber force could also approach this amount.

An increase in our heavy bomber program would almost certainly carry in its wake an increase in the B-58 (Convair) medium bomber contract.

If only 40 of these fast medium bombers were ordered the cost would be close to one billion dollars. Over three-fourths would go to Convair, and about $100 million to General Electric for the new J-79 jet engines. Avionic equipment would approach $175 million.

Almost any effort to increase our planned supply of the complex and cumbersome liquid propelled Atlas and Titan ICBM missiles would cost the taxpayers one or two billion dollars. Convair, Martin, Aerojet, North American, and General Electric would be the large beneficiaries.

The drive to put the Zeus anti-missile missile into immediate production hinges on the technical decision of whether this weapon is sufficiently developed to do so. The prime contractor, Douglas, and a dozen large electronic companies holding classified subcontracts would benefit. The cost of this program to properly defend the North American continent, estimated at $13 billion over a three-year period, is causing understandable hesitancy on the part of the Administration.

The Cost

There is little doubt the White House is concerned about the nation's financial problems. The government's plight was dramatized last month when $9 billion of loans came due. Like any harried debtor, the Treasury asked its creditors to renew the loans. New generous terms of 3¾ per cent interest for one year or renew for three years and get a 4 per cent. Nevertheless $2 billion of loans were not renewed. The Treasury was forced to make an emergency borrowing. It was a sobering experience for the world's best credit risk.

However, inflation fears, budget balancing, and Treasury loan difficulties will have only secondary influences on defense spending. International developments can change the picture overnight. A scientific break-through on the Zeus missile, the Dyna-Soar glide bomber or the Mercury manned satellite could cause shifts in funds from many present production schedules. In a like manner, the advance completion of development tests on the solid propellent Polaris and Minuteman missiles could make obsolete our interim liquid fueled ICBM's.

The President has stressed to congressional leaders that he is watching these developments and that he will base his decisions on military needs, not financial expediency. END

De Gaulle's Operation Bootstrap

(Continued from page 637)

pared with the former 40%, and liberalization of 50.5% of imports from the dollar area, as against the previous 14%.

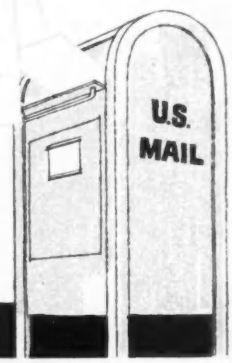
Production Speeded Up

Development of the **vast oil reserves** in the Sahara Desert by France is deemed crucial to the West European manufacturing complex. Therefore, de Gaulle is sparking efforts to push petroleum exploration and production in that region. At least half of French oil output comes from this area and reports are that production there has risen almost 50% since January, 1958. Construction of the large 24-inch Sahara pipeline to the coast at Bougie, Algeria is going ahead of plans, and may even be completed by this summer, providing that the cold war does not intensify the Algerian struggle. New legislation designed to open the Sahara to foreign oil development was approved by the French Cabinet. This law provides for 50-year concessions to French and foreign companies. The French government would retain full authority over exploration permits and would require a minimum of exploration work.

French aluminum production will reach 289,000 tons annually in 1960. Aluminum production in Metropolitan France climbed to 169,000 metric tons last year, while total French production was 197,000 metric tons as compared with 171,000 in 1957.

Two more French **tire manufacturers**—Dunlop and Kleber-Colombes—have joined the international group that will build France's **first GRS synthetic rubber plant**. This group will form a company called Societe des Klastomeres de Synthese in the very near future. Founding companies are Goffrey L. Cabot, Inc. of Boston; latter's subsidiary, Texas Butadiene and Chemical Corp.; French chemical plant, Produits Chimiques et Raffineries de berre; and the Miche-

Now mailing to 59,149 share owners



The story of Allis-Chalmers essentially is the story of POWER . . . the creation of Power, the application of Power, the never-ending search by the Company for ways to improve its own powers of production and thereby better its product lines.

In terms of this pattern, the Allis-Chalmers Annual Report, now being mailed to 59,149 share owners, presents a broad outline of accomplishments of the Company in 1958.

HIGHLIGHTS	1958	1957
Sales and Other Income	$535,165,825	$537,191,443
All Taxes	33,189,603	28,489,381
Earnings	19,657,958	17,819,251
Earnings per Share of Common Stock	2.34	2.11
Dividends Paid per Share of Common Stock	1.25	2.00
Shares Outstanding		
Preferred stock	103,635	103,635
Common stock	8,216,016	8,214,281
Dividends Paid		
Preferred stock	422,831	465,598
Common stock	10,270,016	16,374,763
Share Owners' Investment in the Business		
Preferred stock	10,363,500	10,363,500
Common stock	162,088,166	162,055,251
Earnings retained	135,354,664	125,108,613
Total share owners' investment	307,806,330	297,527,364
Book Value per Share of Common Stock	36.20	34.96
Working Capital	263,557,034	257,661,251
Ratio of Current Assets to Current Liabilities	4.82 to 1	4.07 to 1
Number of Share Owners		
Preferred stock	802	655
Common stock	58,347	56,071
Employes		
Number of employes	32,364	35,799
Payrolls	172,093,408	187,590,363

ALLIS-CHALMERS serves our nation and the growing world through the many domestic plants and offices shown here—and through the world wide facilities of Allis-Chalmers International.

★ Sales or Branch Offices
● Manufacturing Plant

for copies of the Annual Report write —

Allis-Chalmers Manufacturing Co.
Shareholder Relations Dept.
1131 S. 70th St., Milwaukee 1, Wis.

ALLIS-CHALMERS **POWER** FOR A GROWING WORLD

lin Tire Company. The GRS plant will be built in Berre, near Marseille and close to the Shell refinery and the Cabot carbon-black plant that will furnish primary materials. Initial annual capacity of the plant will be 50,000 metric tons of GRS or enough to cover expected French consumption when the plant begins operations in 1962. Major part of the 35,000 metric tons of GRS imported by France last year came from the U. S.

French **automobile production** and exports are still high with the U. S. continuing to be an expanding market for the French offerings. Citroen, with a three-year backlog of orders for the reliable but unhandsome 2CV on its books, may build a new plant in the heart of Brittany to get the added production facilities it needs. This firm is enjoying a healthy domestic demand for its 2CV and good prospects in Euromarket.

In addition, Renault of France and Alfa-Romeo of Italy will combine efforts to counter the strong competition expected from West German auto manufacturers in the Common Market. Under an agreement, the two nationalized auto makers will build and sell each other's cars. This deal also strengthens the competitive position of both manufacturers in their domestic markets.

Export Drive Initiated

France, under government guidance is stepping up exports on a wide variety of products, and is achieving a favorable balance of payments for the first time since the end of World War II. Manufacturers of **household electrical appliances** will step up exports four-fold in 1959 and seven times as much in 1960. **Mechanical tooling industries** will export during 1960 about two times the amount sold abroad in 1957. **Woolen goods** industries will manage their foreign sales in such a manner that a balance will be achieved between raw material purchases and exports of finished products in three years. **Chocolate manufacturers** and confectioners plan to quadruple their exports in the next two years.

Devaluation of the French franc is providing French industry with a competitive advantage through Euromarket. Price of France's **steel exports** are averaging about 15% lower than those in Germany and the other countries in the European Coal and Steel Community. Volkswagen is importing French steel and Ruhr interests are becoming alarmed. However, France is being pressured to put a 4% ad valorem duty on its steel exports and the German Steel Industry Association is requesting Adenauer to increase the levy of steel imports from 6% to 12%.

France also is at logger-heads with ECSC members on a solution to the over-production of coal within this group. De Gaulle is opposed to imposition of mining and importing quotas in view of the relatively sound position of the French coal industry. West Germany, who has opposed quotas in the past, may now back this proposal. Both France and West Germany are the largest coal producers in the community.

Trade War in Europe?

Many difficulties will plague France before financial solvency is achieved on a durable basis. Possibility of a trade war in Western Europe is a likelihood as long as an agreement on a Free Trade Area (FTA) is delayed. The establishment of rival trade blocs will set back France's opportunity to set her economic house in order. But many reliable observers now say basis for negotiations on FTA looks promising as maneuvering on the explosive Berlin problem approaches the critical stage. Several important conferences are scheduled to be held in Geneva, Vienna and Paris this year. U. S. officials and businessmen planning to attend these talks are optismistic in view of prevailing agreement that the current East-West conflict already is a severe enough drain on the Free World's economic strength.

Algerian Settlement Likely

Key to most French hopes for a sound economic recovery still depends on an equitable settlement of the Algerian problem. De Gaulle has to act soon while his prestige is high and before the communists and ultra-nationalists regain sufficient public support. If President Bourguiba of Tunisia places his country solidly behind the Algerian rebels, and he is under strong political pressure to do this, then fighting could spread to Tunisia. Moreover, France might have to evacuate her huge naval base at Bizerte. This is a ticklish problem for de Gaulle and suggests that he may have to make important concessions to the rebels. Actually, he has little room for maneuver and time could be running out. Confidence in De Gaulle still is extraordinary, but there are signs of disillusionment appearing at the fringes. Indications now are President de Gaulle will make a bold move for truce talks. Pacification of Algeria would be a big step in solving many of France's problems.

The Recent Elections

Few observers in this country are willing to draw a long-term conclusion from recent municipal elections in France. The Communists are trying to prove that De-Gaulle's party suffered impressive losses without calling attention to the fact that these municipal elections to a great extent included a large number of local issues. Also, whereas 85% of those registered voted in the previous election, only 73% cast their ballots this time. Since the Communists got out their voters, their percentage gains were magnified showing a total Communist vote gain of 19.5%.

However, despite these gains the percentage of the total votes garnered by the Communists is still short of what they had before De Gaulle came into power; and besides, this was augmented by the votes of those Socialists who had broken away from De Gaulle in this election.

The main reason for this trend is attributed to popular austerity measures and elimination of veterans' pensions, higher taxes, freeze on wages and reduction in Social Security reimbursements for medical expenses. Marseilles, in particular, is feeling the pinch from general decline in business conditions with reduced purchasing power and shorter working hours. END

What 1958 Earnings Reports Reveal

(Continued from page 631)

per share compared with $2.84 a year earlier.

Chiefly responsible for GE's excellent performance was management diversification and stringent cost control. This is demonstrated best by the fact that increasing uses of electrical and electronic equipment in the defense program almost completely offset the substantial drop in industrial electrical equipment.

For 1959, the picture is generally bright (but the stock is already selling about 30 times earnings). Industrial equipment sales should rise with the higher level of productivity; defense business should boom, especially since GE is also one of the largest jet engine producers; and deliveries to the utilities should hold up well through the first half. After that the drop in new orders from the utilities may slow earnings growth, but recent evidence of a sharp pick up in ordering by the power companies indicates that the situation may be short-lived.

Du Pont also enjoyed a strong fourth quarter in 1958—the best quarter in three years—but still the depressed figures of earlier quarters could not be completely overcome. Sales for the year dropped about 7 percent and net per share declined to $7.25 from $8.48 a year earlier. These figures, of course, include the $2.55 per share received in each year from General Motors in dividends. Operating results were $4.70 for 1958 against $5.93 in 1957.

The business outlook for du Pont is good, but the stock lies under the shadow of court proceedings designed to force the company to divest itself of its GM stock.

The outcome of this fight is conjectural, but its affect on the stock cannot be overstated. As a cogent example, it can be pointed out that many banks, and others controlling trust funds have cautiously sold, or are selling Du Pont. The reason is obscure, but important. Under the laws of most states the kind of divestiture the government is attempting would be classed as ordinary income to the recipients. As such, the GM stock—or cash—so distributed could not go to the trust that owns the stock, but would have to be paid to the beneficiaries of the trust. The potential loss in principal for the trust is more than most trustees care to lose.

Under the circumstances, the near term outlook for the stock, regardless of earnings, seems highly insecure.

Most Companies on Upgrade

Although there are exceptions, most major companies closed out 1958 with a flourish. **Goodyear** had an especially strong last half, and although sales for the year dropped by 4 percent, net income managed to reach a new record of $6.08 per share compared with $5.99 a year earlier.

Cost cutting played a big part in the company's earnings improvement, but a healthy lift was also obtained from the strong demand for replacement tires. In addition foreign operations improved considerably, helping to offset some of the loss in original equipment business.

In 1959, Goodyear should benefit if the expected increase in new car production and sales is realized and from its expanding operations in the missile field. The company is prime contractor on the Navy's **Subroc** anti-submarine missile, and is now in a position to bid successfully for other important contracts. It is also of interest, that *Goodyear's dividends are backed by an additional $4.00 per share in cash earnings over and above the net reported.*

Reflecting the exceptional stability of the building trades, and the never-ending "do-it-yourself" market, **Armstrong Cork** finished the year in strong enough fashion to top 1957 results by a wide margin, and reverse a two-year declining earnings pattern. Sales advanced modestly to $249 million from $246 million, but more profitable products and greater diversification of product lines led to an almost 25% increase in earnings.

Of particular interest is the 78¢ per share Armstrong earned in the last quarter, against only 50¢ a year earlier. A continuation of this pattern in 1959 would raise earnings to well over $3.00 per share.

Special Cases and Disappointments

Not all companies can trace their relatively good performances to cost-cutting and other internal efficiencies. **Reynolds Metals** earned $3.25 per share against $3.28 a year ago, but special circumstances helped the company outperform the industry. All through the year, Reynolds continued to make deliveries under the government's stockpile program, even though this program has now been virtually ended. Since the contracts of most other companies had expired almost a year earlier, Reynolds results appear particularly favorable. In 1959, however, the company will have to compete on a par with all the others.

Sinclair Oil's results are particularly disappointing because all past production records were broken in the finished products and crude oil divisions. The company made important progress in meeting its goals, but the weakened price structure in the industry wiped out all internal gains. As a result, earnings fell to $3.23 per share, far behind the $5.18 earned in 1957.

The recession also put a crimp in **Western Union's** plans for higher profitability. Particularly low levels of operations in the second and third quarters did most of the damage, however, and by the fourth quarter earnings and profit margins were moving along smartly. Results for the year declined to $2.01 per share from $2.33 in 1957, but radical internal reorganization and the steady growth of new services can bolster earnings in 1959.

In general, machine tool companies and other capital goods producers were on the lower end of the earnings scale in 1958. **Cincinnati Milling** demonstrated its resourcefulness and sound management by operating in the black in all four quarters, but overall earnings were severely depressed at $1.62 per share compared with $4.46 in the previous year.

Sharp fluctuations of this kind are usual for Cincinnati Milling, and are to be expected. **Worthington Corp.** on the other hand has been actively diversifying for several years, hoping to cut down the volatility of its earnings. Nevertheless, a small 4 per cent sales

Facts and Figures

FROM THE 1958

ANNUAL REPORT

HIGHLIGHTS

Net sales of Continental Motors and its consolidated subsidiaries, Wisconsin Motor Corporation and Gray Marine Motor Company, totalled $131,415,279 in the fiscal year ended October 31, 1958. Comparable figure for the previous fiscal year was $135,610,890.

Net earnings in 1958 were $3,536,528, as compared with $3,583,301 in the preceding fiscal year. Net earnings were $1.07 per share.

Diversification of product continued an important factor in maintenance of the company's volume in a year when business in general was reduced.

The company's list of manufacturing customers has been further expanded in 1958, as has the line of engines needed to meet customer requirements.

Wisconsin Motor Corporation returned substantial earnings in spite of reduced volume, and its outlook for 1959 is good.

Gray Marine Motor Company introduced important new models, and in spite of the expense incident to new model introduction, showed a profit in 1958. It also increased its representation in inboard boats, both in this country and abroad.

Continental Aviation and Engineering Corporation experienced its best year to date, with net earnings of $1,349,740 as compared with $897,535 in 1957. Two new turbojets have been released for production in 1959. The company's fine showing is ascribed to improved operating efficiency, the effect of product improvement cost reduction programs, and benefits of the first full year's operation with complete production facilities and tooling at the Toledo plant.

A new turbojet model developing 60% more thrust with an increase of only 6% in weight was developed in 1958 for the new Ryan Q-2C target drone.

Major developments in the Multi-Fuel and Compression Ignition Engine programs, covering a wide range of liquid-cooled and air-cooled engines for numerous applications, are continuing on an accelerated basis, with some models approaching production status.

Two of the Military Standard engines developed at the company's Lyndon Avenue facility in Detroit are now in volume production, an educational contract for a third model in this series has been received, and two additional models are scheduled for production later in the year.

Continental aircraft engines set two important new world records in 1958. A single-engine Beechcraft Bonanza with the new Continental system of fuel injection flew 7,000 miles from Manila to Pendleton, Ore., for a world distance record, and a Cessna 172 with Continental 0300A engine remained aloft at Dallas for 50 days, flying the equivalent of four times around the globe.

STATISTICS

Fiscal Years Ended Oct. 31	1958	1957	1956	1955	1954
Engine output (horsepower)	10,231,837	10,549,655	10,783,043	13,876,317	14,659,577
Net sales	$131,415,279	$135,610,890	$125,116,269	$145,465,155	$182,061,693
Net earnings	$3,536,528	$3,583,301	$1,604,924	$2,502,287	$4,542,748
Net earnings per common share	$1.07	$1.09	$0.49	$0.76	$1.38
Dividends per share	$0.55	$0.35	$0.25	$0.70	$0.80
Current assets	$56,101,397	$64,454,365	$59,262,735	$58,115,700	$67,362,396
Current liabilities	$21,289,109	$30,598,007	$28,304,638	$27,553,219	$35,667,076
Net working capital	$34,812,288	$33,856,358	$30,958,097	$30,562,481	$31,695,320
Ratio of current assets to current liabilities	2.6 to 1	2.1 to 1	2.1 to 1	2.1 to 1	1.9 to 1
Long-term debt	$2,355,000	$2,480,000	$2,760,000	$3,040,000	$3,320,000
Property, plants and equipment (net)	$15,733,097	$16,223,841	$16,547,581	$17,219,239	$16,654,419
Stockholders' equity	$49,279,352	$47,557,824	$45,129,523	$44,349,599	$44,157,312
Book value per common share	$14.93	$14.41	$13.68	$13.44	$13.38

Continental Motors Corporation

MUSKEGON, MICHIGAN

drop led to a much larger percentage decline in earnings. Final results were reported at $4.76 per share compared with $6.35 a year ago.

Most disappointing was the failure of fourth quarter sales to move ahead of 1957. Moreover, earnings fell to $1.28 in the quarter from $1.71 in the same period of 1957. A better market for industrial pumps and air conditioning equipment should help Worthington improve in 1959, but oil field equipment should continue as a drag. This is significant because the company recently acquired the Well Machinery & Supply Corp. as part of its overall diversification program.

Summary

Last year our major companies proved that they know how to make money in good years and bad. Moreover, they demonstrated an amazing resiliency and ability to meet new challenges. Even in the severely depressed mining industries, companies snapped back quickly with the slightest upturn. **Anaconda,** despite sharply depressed results in the first three quarters turned in a respectable earnings performance by virtue of a high profit last period. The $1.35 from the last quarter represents 40 percent of full year earnings of $3.15, and indicates a profit rate completely in line with the $4.23 earned in 1957.

Much the same is true of **Thompson Ramo Wooldridge** (formerly Thompson Products), in the electronics, missile and auto parts field. Full year earnings were 30% behind the $3.90 earned in 1957, but the comparison would have been much more unfavorable had it not been for the $1.05 earned in the final period.

Obviously, then, the most important aspect of 1958 annual reports is not the figures themselves, but rather what they reveal about the companies and about the general strength of the economy.

As the year ended, most indicators were pointing upward. The rate may slow down, but the direction will probably remain unchanged throughout the first six months of 1959. In any event, our major corporations have shown that they are now capable of squeezing more profits out of a given level of business. Therein lies their (and our) greatest strength. END

A New Look At Construction Industry Potentials For 1959

(Continued from page 641)

policies have had a decisive impact on mortgage funds, while Federal Reserve Board rulings also have gone far toward governing interest rates and charges involved in home buying.

Congress has acted from time to time to regulate the amount required under F. H. A. financing terms. As a matter of fact, relaxation in restrictions last year in accordance with legislation enacted by Congress undoubtedly gave impetus to the recovery in home building that contributed importantly to a general business recovery.

A little less than a year ago Washington authorities took steps to lower down-payment terms on homes purchased under provisions of F. H. A. supported mortgages. Easing of requirements enabled families to arrange for financing new homes that were previously out of reach. At the same time, the Veterans' Administration raised the ceiling on guaranteed loans to $13,500 from $10,000 and boosted the maximum permissive interest rate slightly to broaden the potential financing aid for veterans.

Congress recently has initiated legislation aimed at stimulating housing construction. The measure would authorize substantial expenditure on housing in connection with slum clearance and would provide funds for construction of college buildings and for housing for pension citizens. In

another program, sizable expenditures for modernization of airports were authorized. Both Senate and House committees have proposed spending more than budget allowances.

The White House has indicated opposition to enlargement of appropriations recommended for such projects, so that the outcome of these measures remains in doubt. It seems safe to assume, however, that Government aid will be approved for these projects.

The Many Problems

From the viewpoint of the investor owning stocks of concerns engaged in supplying building materials the last two years have been much more difficult than the foregoing observations might suggest. Moreover, even if volume of work put in place should reach optimistic projections, representative manufacturers hardly can expect to experience a boom this year. Reasons for the seeming contradiction are many—foremost being a steady rise in costs that could readily be passed along to the ultimate consumer.

Changes in the "mix" accounted in no small measure for unsatisfactory results in certain lines. As an example, numerous suppliers of essential materials serve markets other than residential housing. Industrial construction declined so sharply as to pose problems for companies making heating equipment, air conditioning facilities and plumbing. In categories requiring basic materials, activity averaged lower than in 1957, accounting for excess capacity and keen competition in spite of higher wages and other costs. Margins were under pressure most of the year.

The recession compelled managements to adopt economies, however, that should have a favorable impact on 1959 results. Obsolete facilities were either closed or modernized. Labor-saving devices were installed to offset higher manufacturing costs. In some instances, new plants superseded outmoded production facilities. As business improved late in 1958, managements were able to obtain higher output without a comparable increase in the labor force. Thus in 1959, profit margins should widen even though they may not attain proportions experienced in 1955, the industry's peak year.

Turning to a more detailed consideration of several principal segments of the industry, we may gain a clearer picture of prospects for individual companies. Significant statistical information has been compiled for representative manufacturers in the accompanying tabulation, which is supplemented with thumbnail comments on prospects for the companies mentioned.

For the Investor in Construction

Of the several individual industries represented in building supplies, probably *cement* constitutes the most stable group from an investment viewpoint. Manufacturers in this category no longer are dependent on either residential or industrial construction, inasmuch as cement is extensively used in road building as well as in airports and similar projects. Inasmuch as all indications point to greater demand than ever for cement to be used in highway work and in modernization of the nation's airports, it is estimated that output may expand about 5 per cent or more in 1959 with shipments reaching about 325 million barrels. Capacity is estimated at roughly 400 million barrels, however, so it is expected that competition will continue aggressive and that profit margins may remain somewhat depressed.

In *wallboard* and *roofing*, prospects have brightened considerably by reason of a tendency on the part of wholesalers and distributors to build up inventories. Producers have not expanded output beyond normal requirements, thereby providing a basis for a firmer price structure. Major manufacturers of asphalt roofing have indicated an intention to raise prices an average of about 8 per cent the middle of this month. Such a step would virtually restore the base prevailing in late 1957. Wallboard prices generally held firm throughout 1958, an unusual development considering past experience and a slower consumer demand. As a result, profit margins should prove reasonably satisfactory in this category.

Lumber and *plywood* have re-

bounded vigorously from depressed conditions early last year. Plywood prices particularly have advanced impressively. This development holds promise for earnings progress for companies in this group. Some stocks have appeal for potential values in timber reserves as an inflation hedge.

Producers of *plumbing* and *heating* equipment appear to have suffered most from the 1957-58 recession. Widespread price-cutting gained such headway that margins were reduced to unrealistic levels. Only after production was cut back was the industry able to make headway in solving its problems. Increased volume has contributed to a more satisfactory environment, but earnings this year are likely to remain sub-standard even though comfortably ahead of the 1958 showing.

The *paint* industry is represented chiefly by well managed companies which have been able to maintain a reasonable relation between costs and selling prices. The outlook for volume has improved sufficiently to indicate that 1959 earnings may register some gains over last year. END

Varying Earnings Trends For Food Processors And Merchandisers

(Continued from page 645)

on choices of food even though personal salesmanship has all but disappeared from the supermarket.

The amount of a given brand which will be sold in a retail food store can be enormously affected, research studies have revealed, by the location in which it is displayed. This has become so important that one company in the last year has made arrangements with some chains to pay for having its products displayed in what it believes to be a preferred position, at eye height.

Also, it is possible for a store, while stocking a well-known brand, to have only a limited amount on hand and to be frequently "just out of stock," so that customers with only slight brand loyalty will accept a private brand or some other substitute.

The favorable bargaining position of the food stores is probably one of the reasons for the fact that food chains have enjoyed somewhat more earnings growth than food processors in the last ten years. Other influences have been the steady replacement of small neighborhood stores in downtown areas with large modern markets in shopping centers with ample parking space; the modernization of facilities and mechanization of methods made possible by the large stores; the shift of a considerable proportion of the warehousing function back to the processor who has been forced to build up fancy and costly delivery services to retain customers; and the addition of wider-margined lines outside the food field. A few supermarkets have virtually reached the status of department stores; one no longer calls itself a food store, but a "discount center."

It has become a common practice, when an industry has been progressing as have the food processors and distributors, to project the rate of gain of the last few years for several years in the future. But under today's conditions, some caution is indicated. Conditions do change. The increase of competition in food processing has already been mentioned. The low raw material prices will pass. Diversification, practiced by almost everyone, will have a neutralizing effect by reducing the profits in what have been attractive lines.

Is Overcapacity Showing Up?

In food retailing, the effect of the long period of opening larger and larger stores is beginning to show. The Supermarket Institute reported recently that more than 90% of the new stores opened in 1958 faced one to ten competitors in their areas. Sales of stores opened last year were about 10% less than those opened in 1957, and only slightly more than the average for all supermarkets, new or old, combined.

Also, there are reports from the Southeast, the Southwest, and the Pacific Coast, of the springing up of "bantam" food stores, with only a fraction of the selling space of a supermarket, and only half as many items, which offer to the consumer the advantages formerly available in the

neighborhood store, of being able to get all or part of her food needs without the expenditure of much traveling or shopping time.

This may mark the beginning of a swing back of the pendulum which has so long been traveling in the direction of ever larger stores. *At any rate, with the figures furnished by the Supermarket Institute, the "bantam" food market suggests that projection of past sales and earnings gains indefinitely into the future, may be less warranted than in recent years.*

Stocks of most food processing and food retailing companies, as a result of the rise in the last 12 months, are now high in relation to earnings, dividends, and even prospects. These stocks may be less fully priced than leading industrial issues, but it is a question if the leading food issues, whether in processing or retailing, can be said to be currently available at attractive levels.

On the other hand, with the outlook generally favorable for the year ahead, it is difficult to find reasons for expecting food issues to be available at appreciably lower prices — unless we assume that the coming investigation by the Federal Trade Commission of "tendencies toward concentration of economic power leading to collusive price actions and to unfair competition" will prove highly disturbing.

The investigation, which will be the most extensive probe into this industry in the history of the commission, will deal primarily with the organization, practices, and management of food retailers, but will include all "relevant" pratices of food wholesalers, food manufacturers, food distributors, and food brokers.

Perhaps the attitude most warranted by the conditions surrounding stocks in the food industry at present, is one of caution. END

The Real Threat of Nationalization for Electric Power

(Continued from page 625)

agewise contributions of the various States to the Federal reveals that the six States of the TVA area paid $118.8 million of the total direct appropriations — $21.4 million *less* than was paid by Pennsylvania alone! Tennessee, which completely enjoys TVA low-cost power benefits, paid in slightly less than $22 million! There is little wonder that Tennesseans sing TVA's praises. For a capital cost of less than $22 million they have the major benefits of a $2 billion capital "investment" by the taxpayers of the rest of the Union, including the Territories. The "investors" in TVA, however, have yet to receive a cash dividend. Two billions invested in private power developments would have returned some $300 million at the very least, while the government would have collected about twice this amount in corporate and individual income taxes. What Tennessee would have collected in taxes on private electric utilities properties is a moot question, but it would have been several times the TVA payments "in lieu" of taxes."

Has TVA Enriched Tennesseans?

It is true that Tennesseans have a better economic position today than 25 year ago; so have the people of all the other States. Tennesseans, however, have retrogressed—despite the glorious benefits of a $1.9 billion project which cost them less than $22 million.

In the words of the late "Al" Smith "let's look at the record."

Twenty-five year ago — 1934, year of passage of the TVA Act — Tennessee's per capita income was abreast of that in 40 other States. In 1957, last year for which concrete figures are available, 42 States could boast a per capita income *greater* than that of Tennessee. The neighboring State of Arkansas, enjoying none of TVA's benefits, showed a greater percentagewise per capita income increase than did Tenesee — 542 percent against 476 percent, in the 23-year period.

In 1934, Tennessee paid .74 percent of all corporate income taxes collected in the country. By 1956 the Volunteer State's percentage had dropped to .59! So, TVA doesn't seem to have helped corporate enterprise down that way.

Tennessee's bankruptcies for the year ended June 30, 1957, were 2.47 times as many per thousand of population as those in the entire United States. Ten-

nessee, with a population of 3.4 million, had 3,699 bankruptcies compared with 595 in Pennsylvania with its population of 11 million. The bankruptcy rate in Oregon, a prime beneficiary of the Nation's next-largest socialist power system—Bonneville Power Administration — could "boast" 2,170 bankruptcies against 281 in Idaho with a population slightly more than one-third that of Oregon. Idaho's major power needs are served by the investor-owned Idaho Power Co.

That the nearly $2 billion already poured into TVA by the taxpayers of the other States have been of little benefit to Tennessee was dramatically pointed up a year ago by the Volunteer State's junior Senator, Albert Gore, when he cried out on the Upper Chamber floor that "bread lines" existed in Tennessee, consequently the State should have Federal relief.

A Threat to Owners of Utility Securities

There is a real cause for concern among utility investors in the acceleration and spread of Federally owned public utility power so strongly advocated in the 86th Congress. As already pointed out:

- ►Private utilities have vanished from Tennessee and from some areas elsewhere.
- ►In still other sections the inroads of competition from tax-free subsidized electricity has reduced corporate revenues and clouded future potentials of private companies.
- ►Increased deficit spending will place a further burden on the taxpayers wherever they may be.

If protagonists of public power have their way, the utility industry will be forced to pay heavy and possibly increasing taxes to finance the construction of government owned facilities which will ultimately, if not immediately, invade fields now serviced by private companies.

It would not take long for this combination of adverse factors to shrink net income available for dividends to individual and institutional shareholders, and capital investment values.

And—investors, along with all taxpayers, would be likely to feel the whiplash of further inflation as the flow of tax payments from private utility companies dwindle down to a trickle—while the deficit spending for huge Federal projects rocketed, bringing in its wake a decline in the value of the dollar, a situation that must be avoided, especially in this crucial period in our finances. END

As I See It!

(Continued from page 619)

the boot sending him on his separate way. Or into alignment with the teamsters. If the latter were to come about other building trades would follow suit. That could mean a Hoffa-dominated combine built around the teamsters, the building trades — and, almost for a certainty, the maritime unions. How long such a mishmash could hold together is speculative. Hoffa-Reuther, Hutchinson, and Maritime's Joe Curran are the type who will pitch, or walk out of the ball game.

Basic Differences

Many were surprised three years ago when Reuther agreed to play second fiddle to Meany in the AFL-CIO merger. In truth the ink wasn't dry on the compact before Reuther was busy reincarnating the Congress of Industrial Organizations within the new framework. He started, and heads, the Industrial Union Department which is nothing if not a CIO labor movement in action. Reuther also heads the AFL-CIO Committee on Economic Policy. This he has used as a mouthpiece for economic thought that sends shivers up Meany's spine. It was a CEP action that touched off the San Juan explosion: When Meany arrived he found Reuther planning a "March on Washington" to enforce labor's demands. This to the more conservative AFL-CIO chief was Coxey's Army all over again!

Meanwhile the postal workers union is showing signs of falling apart, and away from the big family of organized labor. Like the other internationals, the dissident unions had seen John L. Lewis move into and out of combines with the greatest of facility and no registered losses. No one can be sure of what is ahead for unionism in the United States but the intensifying power struggle is a cloud which already is much "bigger than a man's hand."

The best thing that could happen for the country and the unions is for Meany, Hoffa, Reuther, Hutchinson, Curran and the other dead-end kids of labor to get together in a dark alley and settle their grievances. They seem determined to do just that. END

For Profit and Income

(Continued from page 649)

ing power, the price-earnings ratio should be very high. Here are some examples: Comptometer, which has heretofore been losing money for some time, recently jumped over 45% in two trading sessions to 16. Servo Corp. recently had a sharp advance to 35 or equal to over 85 times 1958 earnings of $0.41 a share. Consolidated Electrodynamics (a name to fire the imagination) lost money in 1958; and might or might not have moderate per-share net this year. The stock is around 40. Haveg Industries earned $1.02 a share in 1958. It

is priced at about 67 times that figure at its present level of 69. Many others could be cited. You might as well bet on the horses as gamble in some of today's speculative footballs in the market.

Silly

Parke, Davis was split 3-for-1 some weeks ago. With the news now "dead", the stock is off about 11% from its high. Last November, management of Pfizer proposed a 2½-for-1 split to be ratified by stockholders at an April meeting. Following large prior rise, the stock ran up another 13% or so to 111. With the news digested, it then reacted to around 97. But directors changed their minds recently and made the split proposal 3-for-1. That was fresh news. So the stock rose to a new all-time high of 118½. How silly can investors get? A split, whether 2½-for-1 or 3-for-1 or any other ratio, cannot add a dime to net income or dividend-paying ability. The stock is priced around 26 times 1958 earnings. The normal rate of profit growth may be somewhere between 5% and 10% a year. We cannot say where the issue may sell in the immediate future. We are pretty sure that it will sell below the present level after the 3-for-1 split news becomes stale. END

Answers to Inquiries

(Continued from page 656)

pared with $157,600,000 on December 31, 1957. A substantial portion of the increase in commercial equipment backlog represents orders for newer products, obtained at a rate greater than production. Awards on defense contracts greatly exceed the rate of shipments in 1958.

For the quarter ended December 31, 1958, net income amounted to $2,183,181 on total revenue of $85,672,383, as compared with net income of $3,386,933 on total revenue of $77,912,828 for the same period in the preceding year. In the third quarter of 1958, net income amounted to $1,620,-926.

Improved earnings appear in prospect for 1959.

Current quarterly dividend rate is 25 cents per share.

Colgate-Palmolive Co.

"I have noticed that companies which proposed stock splits usually have some speculative spurts marketwise on the announcement and as I am interested in Colgate-Palmolive Co., would appreciate receiving recent information on the company, and please include dividend record and recent declarations."

F. H., San Diego, California

Colgate-Palmolive Co. is one of the largest domestic soap manufacturers and a leader in synthetic detergents. It is also active in toilet goods lines including dentifrices, shaving cream, shampoos, lotions, household cleaners, etc.

A very large portion of the company's earnings comes from foreign sources.

World-wide sales for 1958 totalled $534,047,000, establishing an all-time high. This compares with $506,910,000 for 1957, the first six months of which also included sales of vaseline brand products which were distributed in the United States by the company prior to July 1957. Acquisition of the Wildroot Co. will now give the company an important entry in the men's hair tonic field.

Consolidated earnings for the company for the year 1958 amounted to $21,166,000 or $8.27 per share of common stock. This compares with consolidated earnings of $19,930,282 or $7.81 per share in 1957.

At its meeting on February 17th, the Board of Directors voted to recommend to the stockholders. at the annual meeting to be held on April 22, 1959, that the company's common stock be split on a 3-for-1 basis by the insuance of 2 additional shares for each share outstanding.

It is the present intention of the directors to declare a quarterly dividend of 90 cents per share, payable on May 15 to stockholders of record on April 17. This is equivalent to 30 cents per share on the proposed new stock and would be a 20% increase in the quarterly dividend rate. It would, in effect, place the present shares on a $3.60 annual basis, compared with the $3.00 regular rate, and the new stock on a $1.20 annual basis.

The proposed 20% increase in the quarterly dividend rate is a firm expression of the company's faith in its continued growth prospects.

Stock split proposals have on occasions caused speculative flurries but these have not always been sustained. Earnings prospects are the determining factor to consider. END

Market Test Ahead

(Continued from page 621)

The boost in the Federal Reserve discount rate to 3% brings it into line with Treasury bill rates; but it was also intended as another warning that the Board will do all it can to oppose inflation. While the over-all price level remains stable, industrial materials have been edging up. No more than a trading-range dip in the bond market is likely in view of its improved supply situation as a result of reduced corporate new financing and the improbability of long-term Treasury financing any time soon. There is no change in our selective policy.

—Monday, March 9.

Trend of Events

(Continued from page 618)

judicious shopping, actually can feed her family better and for less than a year ago.

Lower Food Prices Seen — "Food supplies are likely to be somewhat larger and retail prices a little lower this year than in 1958". The authority for this statement is the Agricultural Marketing Service, USDA, as of February 17, 1959.

Food accounts for approximately 25 percent of all consumer spending for goods and services. Meats take a big slice of the food budget, and USDA officials look for larger supplies of meats at lower prices this year.

Some other consumer costs, particularly services, undoubtedly will continue to rise.

But, with food prices headed for lower levels — barring adverse weather conditions for crops in the growing season ahead — the overall cost of living is unlikely to show much change. One will have to seek elsewhere for evidence of inflation. END

75 YEARS OF LEADERSHIP

in specialty steels . . . and NOW metals for the space age !

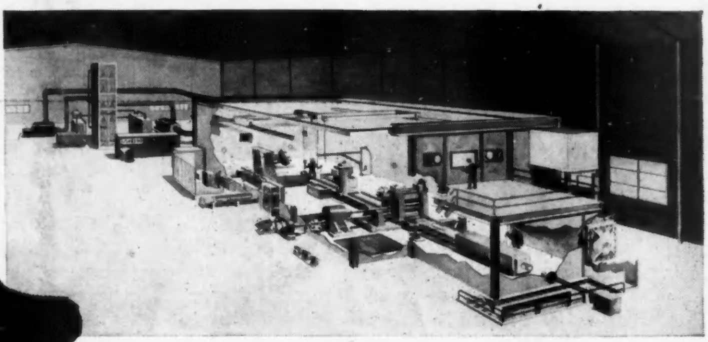
When we started our first furnace 75 years ago, supersonic planes, rockets and missiles existed only within the pages of Jules Verne's fantasies.

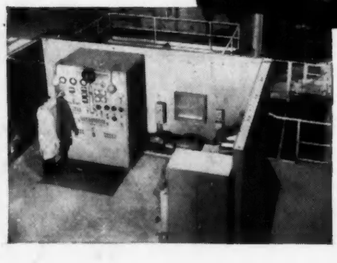
Today, our leadership in making specialty steels has led to a major breakthrough in fabricating metals for the space age—the refractory metals used in supersonic planes, missiles, rockets and nuclear parts.

Designed and engineered by Universal-Cyclops' Refractomet Division, it is hoped IN-FAB (INert-FABrication) will make possible the fabrication of molybdenum and other refractory metals in an inert atmosphere to maintain maximum strength for high temperature applications.

Many new alloys may become commercially significant with IN-FAB. This contribution to space age metallurgy is another example of Universal-Cyclops' leadership in research and engineering for progress.

All personnel working in IN-FAB will wear air-conditioned space suits equipped with intake and exhaust lines connected with manifolds within this airless room.





Fabrication of space age metals will be carried out in this airtight enclosure known as IN-FAB. The inert argon atmosphere within the plant will be maintained at a purity of 99.995% or better. Working temperatures will be raised 1500°F higher than the usual feasible temperatures for hot working of metals.

UNIVERSAL CYCLOPS
STEEL CORPORATION
BRIDGEVILLE, PA.

HIGH TEMPERATURE METALS • STAINLESS STEELS • TOOL STEELS • REFRACTORY AND REACTIVE METALS